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The Nation

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STRONG RECOVERY EASING INTO EXPANSION IN 1984

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Commentary

Current Conditions

Economists will be debating for some time to come why this economic recovery has been more vigorous than almost everyone thought. Even the monetarists no longer can take credit for their bullish estimates, for the economy continues to remain on a strong growth path despite slowing in the monetary aggregates during recent months.

Clearly, the degree of inventory imbalance was significantly understated. Financial stress, rather than incorrect sales expectations, apparently contributed to the magnitude of inventory runoff late in 1982. Corporations that had to improve their balance sheets but could not find customers were forced to pare inventories that already may have been adequate relative to sales in normal times. As a result, changes in inventory investments reduced GNP by 5.6 percentage points in the fourth quarter. Once profitability returned early in 1983, inventories could be rebuilt. In the first quarter, inventory investments added 2.0 percentage points to GNP. This was increased to a 2.9% gain in the second quarter and a 2.8% contribution during the summer. However, sales began to grow, requiring even more inventory investments. Production remains strong through the fourth quarter as the inventory pipelines continue to be filled.

A second factor leading to greater economic strength than had been anticipated is the change in depreciation. The 3-5-15 year depreciation scheduling was designed to remove a gap between historical and book values of capital assets, assuming continuation of inflation in capital goods, and to provide a slight additional incentive to rebuild those assets. In fact, inflation in capital goods has been absent for more than a year. Earlier in 1983, prices actually fell. As a result, no gap currently exists between the book value of assets acquired within the last year and their current replacement costs. Thus, the depreciation costs permitted for tax purposes exceed the actual value of capital resources being exhausted. For example, depreciation in the corporate sector during the third quarter exceeded capital resource use at a $38.2 billion annual rate. As the proportion increases for all capital goods subject to the new tax codes, this depreciation overstatement will rise until it reaches more than $60 billion early in 1985.

Of course, an early realization of capital costs does not alter the total depreciable value of an asset. It does, however, permit the deferral of taxes from other income until the capital good is replaced. The value of this interest-free "loan" of taxes depends upon prevailing interest rates and the magnitude of the loan. With interest rates very high and the overdepreciation very large, these interest-free loans are quite valuable. Indeed, investors may find the tax savings sufficiently advantageous to offset any burdens confronted by high rates of interest. This may explain why expenditures on producers' durables have increased at a compound annual rate of more than 13% after adjustment for inflation since the beginning of recovery.

Moreover, the significant reduction in the tax cost of capital must be important in raising equity values. The apparent explosion in these equity values falls short of the dramatic gains that continue to be generated in genuine profits (according to the formulas we currently use for estimating stock market evaluations, the markets appear to be understating the value of equities). Because of this explosion in equity values, the market value of financial assets held by households has risen dramatically relative to consumption. High returns on those assets may raise the desire to accumulate such assets relative to consumption (although economic theory does not provide an unambiguous answer on this point). However, current asset holdings appear to be more than appropriate to maintain consumption schedules. As a result, consumption has remained strong as households try to convert some of these surplus financial values into consumer goods.

During the third quarter, this strength in consumer activity appeared to be restrained. However, the consumer apparently delayed some purchases because of inventory shortages and also avoided apparel purchases until the unseasonal weather had ended. Once the supply and weather problems began to diminish, however, consumer spending once again strengthened.

Despite the above factors that may partially explain why the recovery exceeded virtually all expectations both in magnitude and durability, it is clear that current activity will not be sustained. Once the pipelines are filled, changes in inventories no longer will significantly contribute to GNP. This will remove nearly three percentage points from economic growth. Also, an economic recovery is heavily influenced by a resurgence in homebuilding. Once housing activity reaches needs, which are related to normal household formations (slightly more than 1.5 million units per year plus a one-time 800,000 unit backlog), housing's contributions to growth will be no more significant than its importance in the GNP. Indeed, growth in structures adjusted for inflation accounts for 25% of the expansion of final demand in the first year of recovery, even though structures account for less than 10% of the economy. When construction growth slows to more sustainable levels, another one percentage point is eliminated from final demand. Thus, GNP growth will slow by nearly four percentage points as the economy moves from recovery to expansion.

Changes in agricultural production will have some unusual influences upon economic activity in the next few quarters. Because of low production during the current crop year, farm production during the fourth quarter will be sharply reduced. However, recovery still will dominate economic activity in the fourth quarter. Therefore, the reduction in farm production will be hardly noticed. In the first quarter of 1984, farm production will revert to more normal patterns. As a result, GNP will appear to accelerate by a percentage point in the first quarter of 1984 because of the shifts in farm activity. Slower rates of GNP growth then will appear in subsequent quarters.

Rising conventional mortgage rates during the second and third quarters of 1983 will be exerting downward pressures upon housing activities during the first half of 1984. As a result, construction will be detracting from economic expansion in the spring and summer quarters of 1984. As that slowing in activity should release enough funds from mortgage lending needs to meet gradually expanding corporate borrowing requirements, interest rates could decline slightly from current levels. However, enough economic strength appears to be continuing to insure that any interest rate reductions will be minor. Nevertheless, declining interest rates should be sufficient to re-excite some

housing activity, leading again to expanding contributions from construction before the end of 1984.

One concern at the present time is a possible re-ignition of inflation. Sufficient excess capacity remains to insure that demand pressures will not be influential in adding to inflation. Even a weakening dollar is no longer expected to significantly contribute to upward inflationary pressures. The reason for this is the apparent desire of importers to stabilize prices relative to their American competition. During the period of a very strong dollar, such pricing strategies have led to very large profits for producers of imported goods. A declining dollar would have more dramatic impact upon the profitability of these importers than upon the price of the products they are selling. As a result, inflationary fallout from declining currency values should remain modest.

The more significant inflationary concern is in wage costs. While these costs undoubtedly have remained well contained, two factors should break the modest pattern. First, Social Security taxes will rise sharply early in 1984. Although the employee contribution of the Social Security increases will be returned in 1985 in the form of a credit on 1984 taxable income, increased wage costs created by the tax increase will not be fully offset. Moreover, the credit is only for a single year. Second, non-union wage increases have remained far above union wage increases and are beginning to accelerate modestly. The hourly earnings index has increased at a 6% annual rate in the latest quarter. Once the unions decide no more concessions are necessary, wages could increase sharply. Indeed, unit labor costs are expected to accelerate in the next two years.

Even if inflationary pressures do not intensify in the next two years, the GNP deflator almost certainly will grow at more rapid rates than in the previous six months, when increases were held to less than 3.5%. The primary sources for prices in the GNP are the CPI and PPI estimates. However, the PPI captures only the prices of domestic producers. Prices of imported goods are captured as they arrive in the United States. Because of these pricing conventions, higher priced goods arriving in the United States that have not yet been added to the transactions of domestic producers will lead to lower estimates of the GNP deflator, as imported goods are subtracted from all other goods. As a result, the GNP deflator understates inflation when the terms of trade are deteriorating. Conversely, it overstates inflation when the terms of trade are improving. In the last six months, the terms of trade have deteriorated dramatically. However, agricultural prices now are rising significantly while oil prices are showing no significant trend. Therefore, the terms of trade probably will swing in favor of the United States. The resultant swing from understating inflation to overstating it will generate the appearance of accelerating inflationary pressures.

Can interest rates decline in this economic environment? If one believes that interest rates reflect a real component plus inflationary expectations, the answer undoubtedly must be yes. Obviously, actual inflation has dramatically trailed the so-called inflationary premium that bonds currently are commanding. Indeed, real rates of interest now are so high that if inflation increases one percentage point per year until it reaches double digits and then remains constant for the remainder of the life of a twenty year bond, the life-of-bond real rate of interest will exceed what inflationary expectations theory would generate. However, even those concerned about inflation surging in the years

ahead expect that a return to double digits will almost immediately cause restrictive policies to once again lower underlying inflationary pressures. Thus, expectations alone certainly cannot be why interest rates are so high. Therefore, an unwinding of those expectations will be insufficient to lower interest rates to more normal historical relationships relative to prevailing inflation.

Fortunately, an analysis of flows of funds holds some hope for moderately declining interest rates in the months ahead. While consumption will remain unusually high and the savings rate will remain unusually low, the minimum degree of support for credit markets from the consumer sector probably already has occurred. While consumer savings will not be rising in the fourth quarter, they begin to rise early in 1984. This will coincide with a period of no growth in mortgage borrowings. The corporate sector will be building up investment activity, as inventory accumulations intensify. However, inventory holdings will not be growing at increased rates after the fourth quarter. Moreover, the already rapid advance in purchases of producers' durables suggests that increased growth in fixed investment will develop slowly. Thus, the corporate sector will only gradually increase its demands upon the credit markets. The government sector will be reducing deficits as increased economic activity raises tax receipts relative to expenditures and increased Social Security taxes reduce deficits early in 1984. (They will be reversed, however, in 1985 as the employee portions of the Social Security tax increases are refunded.) Thus, the case for moderate near-term relief in the credit markets is good. In the fourth quarter, the government deficit is not shrinking sharply while the consumer savings rate may actually be falling. Therefore, improvements in interest rates are not likely. However, noticeable declines in interest rates continue to be anticipated early in 1984. Of course, conditions then will deteriorate later in the year, leading to rising interest rates, especially by the first quarter of 1985.

While the above arguments suggest that bond investments still have some potential real rates of return, the case certainly is much stronger for equity ownership. As Table 6 shows, genuine profits have increased 45% this year. Continued strong economic gains into 1984 insure significant further gains in genuine profits. If interest rates also decline modestly, our stock market formulas indicate that equity values could rise by 20% from current levels.

Recent Performance

Economic activity was expected to increase strongly in the third quarter and those anticipations were realized. Upward revisions in consumer and investment activity during the second quarter led to bigger increases in the third quarter than we expected, but the errors were not dramatic. The GNP deflator, however, was less intense than we expected even as the Consumer Price Index showed stronger increases than anticipated three months ago. The rise in energy prices during the second quarter accounted for most of the increase in import prices at that time. Apparently, oil prices continued to rise on imported product in the third quarter. Thus, the terms of trade remained adverse. Adjustments have been made to incorporate the shifting terms of trade in estimates of the GNP deflator.

Consumption was weaker than anticipated in the third quarter, but adverse effects from parts shortages and hot weather appear to explain that. Such random events should not be included in the adjustment factors for projections in subsequent quarters. Great care was taken to make sure that this was the

case in our forecast. Perhaps some of the other forecasts that are generating lower estimates of fourth quarter activity have not taken such care in their adjustment processes.

Estimated corporate profits are dramatically above our expectations. This error is the result of failing to appreciate the significance of price changes for producer durables as they relate to the capital consumption adjustment component. The problems associated with this tax change have been discussed above. It should be noted, however, that a significant acceleration in inflation will remove that positive adjustment to profits. We also underestimated tax liabilities on personal income. According to a soon to be released study by the Boston Federal Reserve, our model has some difficulties in analyzing tax receipts. This study arrived too late for us to incorporate its implications in our analysis. (On the other hand, the Boston Fed quoted GSU as best in more forecasting categories than any other major forecasting service in the country, including employment, inflation, and government spending.)

Interest rates were surprisingly close to our anticipations for both short and long-term instruments. The Dow Jones also was close to expectations, but this was because sharply rising corporate profits did not have the impact upon equity values that our formulas normally would anticipate. In other words, we underestimated corporate profitability and the markets undervalued them. An intercept adjustment was made to suggest that the markets are not certain about the value of profits generated by deferred tax liabilities. Our own feeling is that failure to provide any value is inappropriate. Therefore, equity values are below levels that can be justified by prevailing economic conditions. Presumably, the markets will discover this and adjust their valuations accordingly.

Finally, industrial production was higher than anticipated, as the service sector performed more poorly than anticipated even as the goods sector performed more strongly. The reason for this poor performance in the service sector is unclear. Apparently, purchases of utilities are being incorporated in the services component when they are being billed to consumers. Thus, industrial production can rise as a result of increased generation by utilities before the consumption of those utility services is registered in the expenditures accounts. Obviously, these problems only occur for a few months. They clearly will wash out within two quarters. However, as the production of utility services already has been incorporated in the third quarter and the expenditures, which will be the contribution to GNP, will arrive in the fourth quarter, the relationship between industrial production and GNP will be altered in both quarters.

In general, the third quarter performed within the normal boundary of anticipations. Considering that most other forecasters were talking about considerably weaker gains in economic activity during the summer, the above analysis of errors may appear to be picky. However, the model can only improve by trying to perform better even when the performance already may be best of all forecasters.

Forecast Assumptions

The budgetary assumptions are contained in Table 5. Some of the explicit assumptions are as follows:

a) Social Security taxes are expected to increase to 7.0% for employer and employee in 1984 on a base of $37,500, up from a rate of 6.7% on a base of

$35,790 in 1983. The employee portion of the Social Security tax increase is refundable as a tax credit only for 1984 income. Social Security taxes are expected to rise to a rate of 7.05% in 1985 on a base of $40,500.

b) Both military and civilian pay increased by 4% at the beginning of FY1984 and are expected to show a further 5.8% increase in FY1985. The military is expected to reach a complement of 2.25 million personnel in 1985. Government payrolls are expected to increase by 19,000 over the next eight quarters.

c) No further PIK program is anticipated. No changes are expected on the dairy program or on crop support rates. The Post Office is expected to increase stamp values to 23¢ for first class mail in January, 1985 (the Postmaster General stated that the increase may come as soon as October, 1984).

d) Excise taxes are expected to increase an additional one percent for telephones in the first quarter of 1984. The increase in tobacco excises is expected to remain. No further excise tax changes are anticipated in the forecast. No significant tax incentives were assumed over the forecast period.

e) Oil prices are expected to remain at $29 in the world market through 1984 and rise to a $31 average in 1985. No significant oil disruptions are anticipated. No significant changes in price controls on natural gas are anticipated.

No attempt was made to factor in significant strike activity in 1984. However, the increased militancy of labor unions has led to modest upward revisions in expected wage demands. Also, the UAW contract scheduled for renewal in September 1984 may lead to strike activity.

The monetary assumptions contained in Table 6 are slightly in excess of the middle range of the Federal Reserve targets. This is in order to accommodate no significant increases in short-term interest rates during an election year. We implicitly assume that normal velocity patterns will be returning now that the portfolio adjustments to changes in the yields of money instruments have been completed.

Conclusion and Summary

Nonfarm economic activity is expected to remain strong through the fourth quarter of 1983 and then slow perceptibly in 1984 as recovery ends and expansion begins. Because production in the farm economy will be unduly depressed in the fourth quarter and rebound in the first quarter of 1984, actual GNP will not show a significant slide until the second and subsequent quarters. This slowing of economic growth is normal and may be necessary to relieve some interest rate pressures. As a result of this modest slowing in the first part of 1984, interest rates are expected to show sufficient easing to permit renewed gains in housing activity at that time. However, interest rates then will be trending upward at the end of 1984 and in 1985. This will significantly slow the rate of economic expansion at that time. It is still our belief that recessionary tendencies will not reappear until 1986.

Inflation estimates continue to be lowered for 1984 by many analysts. While inflationary expectations clearly should not incorporate a near-term return to double digits, such continuing downward revisions of inflationary expectations may not be appropriate. The hourly earnings index already has reached its low point for this cycle and is beginning to rebound. While productivity gains

remain strong, they may have been overstated by the removal of more worker hours caused by the Communications Workers' strike than actually occurred. Moreover, productivity gains naturally tend to diminish as the recovery matures. Thus, unit labor costs should be rising noticeably in the next two years. In addition, a modest inflationary contribution from a declining dollar and a one-time upward adjustment in food prices as a result of the 1983 drought should add to inflationary pressures. Thus, inflation will intensify rather than recede as claimed by the Federal Reserve. On the other hand, the degree of increase in inflation over the next two years should be modest. Certainly, the so-called inflationary premiums incorporated in long-term bonds greatly exceed any reasonable anticipation of inflationary prospects over the lives of those bonds.

Because of the dramatic reduction in tax liability caused by generous depreciation adjustments, equity values appear to be understating current corporate earning capabilities. As a result, long-term investors probably should be accumulating equity holdings at the present time.

In summary, the economy will continue its recovery into 1984. At that time a normal slowing of growth will develop as the economy shifts from recovery to expansion. Some intensifying inflationary pressures and a continuation of high but slightly moderating interest rates also are expected. The stuttering action that had been anticipated for this economic expansion may be less dramatic than first feared. Nevertheless, our concerns about savings deficiency as this recovery matures remain intense. The next recession is not in sight, but it could be just a little way beyond our forecasting horizon. In the meantime, the recovery is stronger than almost everyone anticipated and this has permitted many corporations to dramatically improve their balance sheets.

Table 1.

Georgia State University
College of Business Administration
Economic Forecasting Project
November 1983

U.S. Expenditures for 1983-II and 1983-III with Forecasts for 1983-IV through 1985-III

	1983			1984				1985			Percent Change			Annual		
	II	III(P)	IV	I	II	III	IV	I	II	III	82-83	83-84	84-85	1983	1984	1985
1. Personal Consumption Expenditures	2147.0	2186.5	2238.1	2287.7	2336.2	2388.7	2441.3	2492.4	2543.1	2594.1	8.5	9.4	8.7	2161.2	2363.5	2570.2
2. Autos and Parts	133.9	137.2	148.1	156.3	160.8	165.6	169.6	171.6	174.0	175.0	32.3	21.4	7.3	134.4	163.1	175.0
3. Other Durable Goods	143.8	147.0	149.9	152.6	155.5	159.8	163.6	166.8	170.3	173.2	7.9	6.7	8.9	145.3	157.9	171.9
4. Nondurable Goods	799.6	818.7	835.8	851.6	868.2	886.7	905.5	923.8	941.2	959.7	6.1	8.7	8.3	807.8	878.0	951.2
5. Services	1069.7	1083.6	1104.3	1127.2	1151.7	1176.6	1202.6	1230.2	1257.6	1286.2	8.9	8.4	9.2	1073.8	1164.5	1272.2
6. Gross Private Domestic Investment	450.1	501.0	534.0	549.1	563.9	575.9	599.6	605.7	615.4	629.3	13.9	21.1	9.5	472.3	572.1	626.4
7. Residential Structures	128.4	140.7	144.0	137.9	139.1	145.0	148.9	151.6	154.8	156.9	44.4	8.8	9.4	131.1	142.7	156.1
8. Other Structures	127.4	130.5	129.9	131.5	133.5	136.0	139.1	142.5	146.3	150.6	-8.2	3.7	9.9	130.2	135.0	148.4
9. Producers' Durables	208.8	217.9	225.0	231.2	237.8	244.6	251.1	257.2	264.1	270.9	3.1	13.3	10.9	212.8	241.2	267.6
10. Change in Inventories	-14.5	11.8	35.1	48.5	53.5	50.3	60.5	54.4	50.2	50.9	-	-	-	-1.8	53.2	54.2
11. Net Export of Goods and Services	-8.5	-25.9	-26.3	-24.2	-26.3	-37.8	-41.1	-36.9	-31.1	-33.2	-	-	-	-10.9	-32.4	-34.5
12. Exports	327.1	339.2	354.3	365.0	374.8	375.8	384.6	396.2	410.7	421.6	-3.1	11.3	10.6	336.9	375.1	415.0
13. Imports	335.6	365.1	380.6	389.2	401.1	413.6	425.7	433.1	441.8	454.8	5.3	17.1	10.3	347.8	407.4	449.5
14. Government Purchases of Goods and Services	683.4	701.8	716.6	744.0	766.1	786.1	813.9	830.2	849.3	870.2	7.0	11.9	11.0	694.8	777.5	862.7
15. Federal	273.7	281.2	286.6	302.9	313.8	322.0	339.5	345.6	354.0	363.2	7.8	14.6	13.1	278.8	319.6	361.4
16. National Defense	199.4	205.8	214.8	222.5	230.0	237.4	249.6	257.3	265.5	274.9	13.4	15.4	15.7	203.6	234.9	271.7
17. Other, including NASA	74.3	75.4	71.8	80.4	83.8	84.6	89.9	88.3	88.5	88.3	-5.2	12.6	5.9	75.2	84.7	89.7
18. State and Local	409.7	420.6	430.0	441.1	452.3	464.1	474.4	484.6	495.3	507.0	6.6	10.1	9.5	416.1	458.0	501.3
19. Gross National Product	3272.0	3363.3	3462.4	3556.6	3639.9	3712.9	3813.7	3891.4	3976.7	4060.4	7.9	11.0	9.3	3317.3	3680.8	4024.8
20. Amount of Change	100.5	91.3	99.1	94.2	83.3	73.0	100.8	77.7	85.3	83.7	-	-	-	244.3	363.5	344.0
21. % Change*	13.3	11.6	12.3	11.3	9.7	8.3	11.3	8.4	9.1	8.7	-	-	-	7.9	11.0	9.3
22. % Real Change*	9.7	7.9	7.2	6.0	4.8	3.1	5.2	2.7	3.6	3.0	-	-	-	3.5	6.0	3.7
23. % Price Change*	3.3	3.4	4.8	5.0	4.7	5.0	5.8	5.5	5.2	5.5	-	-	-	4.2	4.7	5.4
24. Implicit Price Deflator	214.55	216.37	218.92	221.62	224.19	226.95	230.20	233.33	236.31	239.50	-	-	-	215.67	225.74	238.02
25. Change in Final Sales	75.7	64.9	75.8	80.8	78.3	76.2	90.6	83.8	89.5	83.0	-	-	-	221.6	308.5	343.0
26. GNP in 1972 Dollars	1525.1	1554.4	1581.6	1604.8	1623.6	1636.0	1656.7	1667.8	1682.8	1695.4	-	-	-	1537.8	1630.3	1690.7

* Annual Rate
(P) Preliminary

Table 2.

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Economic Forecasting Project
November 1983

U.S. Real Expenditures for 1983-II and 1983-III with Forecasts for 1983-IV through 1985-III

	1983			1984				1985			Percent Change			Annual		
	II	III(P)	IV	I	II	III	IV	I	II	III	82-83	83-84	84-85	1983	1984	1985
1. Personal Consumption	1010.6	1019.2	1033.2	1045.0	1055.0	1064.7	1074.1	1081.9	1089.2	1096.6	4.3	4.7	3.2	1012.4	1059.7	1093.5
2. Durable Goods	156.5	158.6	164.4	168.6	171.2	174.5	176.9	177.7	178.8	179.1	11.8	10.6	3.8	156.3	172.8	179.3
3. Nondurable Goods	374.7	379.5	384.2	387.8	390.8	393.0	395.8	398.7	401.1	404.2	3.5	4.6	2.8	376.8	391.9	402.8
4. Services	479.4	481.1	484.6	488.6	493.0	497.2	501.4	505.5	509.3	513.3	2.8	3.3	3.3	479.3	495.1	511.4
5. Gross Private Domestic Investment	210.2	230.4	242.2	246.9	251.3	254.4	261.6	261.0	262.4	265.0	12.2	16.2	4.6	218.2	253.6	265.2
6. Residential Structures	52.6	56.9	57.6	54.6	54.5	56.1	56.9	57.2	57.7	57.8	40.7	4.3	4.1	53.2	55.5	57.8
7. Other Structures	48.3	49.7	49.4	49.7	50.1	50.6	51.2	51.8	52.5	53.3	-7.5	2.0	5.0	49.4	50.4	52.9
8. Producers' Durables	114.7	119.0	121.9	124.1	126.6	129.0	131.1	132.9	134.8	136.6	3.2	9.8	6.3	116.3	127.7	135.8
9. Change in Inventories	-5.4	4.8	13.3	18.5	20.1	18.7	22.4	19.1	17.4	17.3	-	-	-	-0.7	19.9	18.6
10. Net Export of Goods and Services	12.3	8.7	8.9	9.3	9.0	5.4	4.9	7.3	10.8	10.8	-	-	-	12.6	7.2	9.7
11. Exports	136.2	139.9	143.8	145.5	147.3	145.9	147.4	149.9	153.4	155.3	-5.4	5.2	5.1	139.3	146.5	153.9
12. Imports	123.9	131.1	134.9	136.2	138.3	140.5	142.5	142.6	142.6	144.5	7.0	5.8	3.4	126.7	139.4	144.1
13. Government Purchases of Goods & Services	292.1	296.1	297.3	303.6	308.3	311.5	316.1	317.6	320.4	323.0	1.0	5.2	4.0	294.6	309.9	322.2
14. Federal	117.6	119.6	119.2	124.0	127.0	128.9	132.2	132.8	134.5	136.3	1.8	7.8	6.1	118.7	128.0	135.8
15. State & Local	174.5	176.6	178.1	179.6	181.3	182.6	183.9	184.8	185.9	186.7	0.6	3.2	2.5	176.2	181.9	186.4
16. Gross National Product	1525.1	1554.4	1581.6	1604.8	1623.6	1636.0	1656.7	1667.8	1682.8	1695.4	3.5	6.0	3.7	1537.8	1630.3	1690.7
17. Final Demand	1530.5	1549.6	1568.3	1586.3	1603.5	1617.3	1634.3	1648.7	1665.4	1678.1	2.9	4.7	3.8	1538.5	1610.4	1672.0
18. Private Domestic Product	1348.4	1376.9	1401.9	1423.8	1443.0	1454.5	1474.6	1485.2	1499.8	1511.0	4.1	6.5	4.0	1360.1	1449.0	1507.0

Table 3.

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November 1983

Income Related U.S. GNP Components for 1983-II and 1983-III with Forecasts for 1983-IV through 1985-III

	1983			1984				1985			Percent Change			Annual		
	II	III(P)	IV	I	II	III	IV	I	II	III	82-83	83-84	84-85	1983	1984	1985
1. Compensation of Employees	1968.7	2011.3	2062.6	2114.9	2157.9	2199.8	2252.2	2302.2	2350.4	2398.1	6.7	9.5	9.0	1991.6	2181.2	2376.5
2. Wage and Salary	1648.4	1681.5	1723.0	1756.6	1790.3	1823.4	1865.5	1901.7	1939.4	1977.8	6.2	8.6	8.4	1665.9	1809.0	1960.6
3. Manufacturing	397.4	409.0	418.8	427.0	434.5	441.1	450.2	457.4	465.4	472.7	4.9	8.8	7.1	402.7	438.2	469.5
4. Other Commodity-Producing Industries	124.8	128.7	132.3	133.4	135.9	137.9	140.9	144.0	147.4	150.4	1.5	7.6	8.7	127.3	137.0	148.9
5. Distributive Industries	394.3	398.9	410.7	418.8	426.8	434.8	443.4	451.7	460.7	469.8	5.0	8.4	8.0	397.6	431.0	465.3
6. Service Industries	407.3	416.1	424.6	435.1	445.2	455.1	465.7	477.2	488.7	500.5	9.9	9.5	9.8	411.1	450.3	494.6
7. Military	42.5	42.5	44.5	44.7	44.8	44.9	47.8	48.0	48.2	48.3	5.1	6.0	7.5	43.0	45.6	49.0
8. Civilian Government	282.1	286.3	292.1	297.6	303.1	309.6	317.5	323.4	329.0	336.1	7.2	8.0	8.6	284.3	307.0	333.3
9. Supplements	321.6	330.2	339.6	358.3	367.6	376.4	386.7	400.5	411.0	420.3	9.6	14.2	11.7	326.1	372.3	415.9
10. Proprietors' Income	127.2	127.4	137.9	147.0	152.8	154.3	161.2	161.0	159.7	157.1	17.7	19.9	4.4	128.3	153.8	160.5
11. Business & Professional	106.2	111.8	116.6	120.4	123.5	125.7	129.5	131.3	134.4	136.5	23.9	15.2	8.7	108.3	124.8	135.7
12. Farm	21.0	15.6	21.3	26.6	29.3	28.6	31.7	29.7	25.3	22.6	-7.0	45.5	-11.7	20.0	29.1	25.7
13. Rental Income	54.8	53.9	56.3	57.1	57.8	58.6	59.4	60.2	61.0	61.9	9.8	6.2	5.7	54.8	58.2	61.5
14. Net Interest	243.8	246.1	253.0	259.1	267.5	274.3	282.7	289.9	298.3	307.7	-5.1	9.3	12.0	247.8	270.9	303.3
15. Corporate Profits Adj.	218.2	251.9e	271.7	283.2	290.7	297.1	309.5	316.1	325.7	334.1	40.1	27.8	12.2	230.9	295.1	331.0
16. National Income	2612.8	2690.6e	2781.5	2861.3	2926.7	2984.1	3065.0	3129.4	3195.1	3258.9	8.3	11.5	9.2	2653.4	2959.3	3232.7
17. Indirect Business Tax	285.8	291.2	299.4	306.7	313.1	319.7	326.2	332.9	341.1	348.5	11.0	10.3	8.9	286.8	316.4	344.5
18. Capital Consumption Adj.	14.3	1.4	-10.4	-18.5	-22.6	-23.6	-24.9	-25.4	-26.3	-26.1	-	-	-	8.6	-22.4	-26.3
19. Capital Consumption Alw.	359.0	378.5	393.4	405.5	415.6	424.9	434.7	443.8	452.2	462.8	17.8	14.1	9.0	368.2	420.2	458.1
20. Business Transfers	15.3	15.7	16.0	16.4	16.7	17.1	17.4	17.8	18.2	18.6	9.9	9.0	8.9	15.5	16.9	18.4
21. Net Govt. Subsidies	-11.8	-13.3	-16.7	-13.7	-12.1	-9.7	-9.9	-8.6	-9.0	-8.9	-	-	-	-13.5	-11.4	-8.9
22. Statistical Discrepancy	-3.5	-0.8e	-0.8	-1.1	2.5	0.4	5.2	1.5	5.4	6.6	-	-	-	-1.6	1.8	6.3
23. Gross National Product	3272.0	3363.3	3462.4	3556.6	3639.9	3712.9	3813.7	3891.4	3976.7	4060.4	7.9	11.0	9.3	3317.3	3680.8	4024.8

e = Estimate

Table 4.

Georgia State University
College of Business Administration
Economic Forecasting Project
November 1983

Derivation of U.S. Personal Income for 1983-II and 1983-III with Forecasts for 1983-IV through 1985-III

	1983			1984				1985			Percent Change			Annual		
	II	III(P)	IV	I	II	III	IV	I	II	III	82-83	83-84	84-85	1983	1984	1985
1. National Income	2612.8	2690.6e	2781.5	2861.3	2926.7	2984.1	3065.0	3129.4	3195.1	3258.9	8.3	11.5	9.2	2653.4	2959.3	3232.7
2. Less: Corp. Profits Adj.	218.2	251.9e	271.7	283.2	290.7	297.1	309.5	316.1	325.7	334.1	40.1	27.8	12.2	230.9	295.1	331.0
3. Social Insurance	270.1	274.3	280.0	301.6	306.5	311.1	317.3	330.8	337.0	342.3	7.7	13.5	9.9	272.4	309.1	339.8
4. Plus: Government Transfers	390.0	387.3	388.6	401.1	403.9	406.4	410.1	426.0	430.3	433.9	7.5	4.6	6.6	387.4	405.4	432.0
5. Old Age, Survivors, etc	221.1	223.9	226.2	234.5	237.3	239.6	242.0	252.4	255.1	257.7	8.7	7.3	7.6	222.2	238.4	256.4
6. Unemployment Benefits	30.0	23.1	20.6	19.9	19.2	19.0	18.3	17.9	17.6	17.2	1.6	-24.2	-9.4	25.2	19.1	17.3
7. Veterans' Benefits	16.6	16.7	16.7	17.0	17.0	16.9	17.0	17.3	17.2	17.3	1.8	1.8	1.8	16.7	17.0	17.3
8. Employees' Retirement	58.3	59.3	60.2	63.2	64.1	64.9	65.7	69.4	70.3	71.4	8.1	10.1	9.8	58.6	64.5	70.8
9. A.F.D.C.	14.4	14.2	14.2	14.6	14.6	14.5	14.6	15.3	15.2	15.3	6.0	2.8	4.8	14.2	14.6	15.3
10. Other	49.6	50.2	50.7	51.9	51.7	51.5	52.5	53.7	54.9	55.0	6.2	3.8	5.8	50.0	51.9	54.9
11. Business Transfers	15.3	15.7	16.0	16.4	16.7	17.1	17.4	17.8	18.2	18.6	9.9	9.0	8.9	15.5	16.9	18.4
12. Interest Transfers	113.3	122.7	128.8	131.7	135.8	139.8	143.8	149.0	155.6	162.1	12.9	16.3	14.9	118.5	137.8	158.4
13. Personal Dividends	69.3	70.9	73.0	75.1	77.0	78.7	80.5	82.2	84.0	85.7	6.2	10.4	9.1	70.5	77.3	84.9
14. Equals: Personal Income	2713.6	2761.4	2836.2	2900.8	2962.9	3017.9	3090.0	3157.5	3220.5	3282.8	6.3	9.1	8.8	2742.2	2992.9	3255.5
15. Less: Personal Tax Payments	412.6	399.9	411.5	419.2	430.7	443.4	457.2	456.9	464.1	484.7	1.1	7.7	8.9	406.5	437.6	476.4
16. Equals: Disposable Personal Income	2301.0	2361.5	2424.7	2481.6	2532.2	2574.5	2632.8	2700.6	2756.4	2798.1	7.3	9.4	8.8	2335.8	2555.3	2779.1
17. Less: Consumption	2147.0	2186.5	2238.1	2287.7	2336.2	2388.7	2441.3	2492.4	2543.1	2594.1	8.5	9.4	8.7	2161.2	2363.5	2570.2
18. Less: Other Outlays	62.5	64.0	65.0	65.8	66.9	68.1	69.7	71.0	72.4	73.9	6.8	7.0	8.3	63.2	67.6	73.2
19. Equals: Personal Savings	91.5	110.9	121.6	128.1	129.1	117.7	121.8	137.2	140.9	130.1	-11.2	11.5	9.3	111.4	124.2	135.7
20. Savings Rate (%)	4.0	4.7	5.0	5.2	5.1	4.6	4.6	5.1	5.1	4.6	-	-	-	4.8	4.9	4.9

Table 5.

Georgia State University
College of Business Administration
Economic Forecasting Project
November 1983

U.S. Federal Government Activity for 1983-II and 1983-III with Forecasts for 1983-IV through 1985-III

	1983			1984				1985			Percent Change			Annual		
	II	III(P)	IV	I	II	III	IV	I	II	III	82-83	83-84	84-85	1983	1984	1985
1. Government Receipts	652.6	644.7e	662.5	691.1	706.0	722.1	741.2	754.2	768.1	793.4	4.6	10.7	9.4	645.8	715.1	782.5
2. Personal Tax & Non-Tax	304.2	286.7	294.6	299.4	307.9	317.7	327.8	324.4	328.6	346.2	-2.9	5.9	8.3	295.8	313.2	339.1
3. Corporate Profits Tax	59.8	66.5e	69.2	71.0	72.5	74.4	77.8	80.7	83.0	84.7	31.2	21.1	13.9	61.0	73.9	84.2
4. Indirect Business Tax	56.0	55.4	57.6	59.1	60.0	60.6	61.1	62.1	64.5	66.1	18.6	5.1	7.6	57.3	60.2	64.8
5. Contributions for Social Security	232.6	236.1	241.1	261.6	265.6	269.4	274.5	287.0	292.0	296.4	7.7	14.2	9.9	234.6	267.8	294.4
6. Government Expenditures	818.7	832.3	848.5	876.9	892.4	904.1	927.9	952.9	971.3	989.2	8.1	8.9	9.1	826.5	900.3	982.2
7. Purchases of Goods and Services	273.7	281.2	286.6	302.9	313.8	322.0	339.5	345.6	354.0	363.2	7.8	14.6	13.1	278.8	319.6	361.4
8. Defense	199.4	205.8	214.8	222.5	230.0	237.4	249.6	257.3	265.5	274.9	13.5	15.4	15.7	203.6	234.9	271.7
9. Durables	60.1	63.0	67.5	71.6	75.9	80.2	85.1	89.6	94.3	99.6	24.0	27.2	24.4	61.5	78.2	97.3
10. Nondurables	14.0	14.9	15.2	15.5	15.8	16.2	16.6	17.0	17.4	17.8	7.3	8.8	10.0	14.7	16.0	17.6
11. Military Compensation	42.5	42.5	44.5	44.7	44.8	44.9	47.8	48.0	48.2	48.3	5.1	6.0	7.5	43.0	45.6	49.0
12. Civilian Compensation	29.2	29.3	30.2	30.7	30.8	31.0	32.5	33.0	33.2	33.5	7.3	6.1	7.7	29.5	31.3	33.7
13. Other Services	49.0	50.7	52.6	54.5	56.9	59.3	61.5	63.6	66.2	69.3	14.8	15.5	16.5	50.3	58.1	67.7
14. Structures	4.6	5.3	5.3	5.5	5.8	5.8	6.1	6.1	6.2	6.4	26.3	20.8	10.3	4.8	5.8	6.4
15. Nondefense	74.3	75.4	71.8	80.4	83.8	84.6	89.9	88.3	88.5	88.3	-5.2	12.6	5.9	75.2	84.7	89.7
16. Durables	3.5	3.6	3.6	3.7	3.8	3.9	3.9	4.0	4.1	4.1	16.1	5.6	7.9	3.6	3.8	4.1
Nondurables																
17. CCC Inventory Change	-1.1	-1.7	-6.9	0.6	2.9	2.5	5.6	3.1	2.2	1.4	-	-	-	-1.4	2.9	2.5
18. Other Nondurables	6.6	7.6	7.8	8.0	8.2	8.7	8.9	9.0	9.1	9.1	-	-	-	7.0	8.5	9.1
19. Compensation	34.3	34.4	35.3	35.7	35.9	36.1	37.8	38.3	38.5	38.8	5.5	5.5	7.4	34.5	36.4	39.1
20. Other Services	24.6	24.7	25.2	25.5	26.0	26.4	26.6	26.9	27.3	27.6	10.8	5.7	5.0	24.7	26.1	27.4
21. Structures	6.5	6.9	6.8	6.9	7.0	7.0	7.1	7.0	7.3	7.3	1.5	2.9	4.3	6.8	7.0	7.3
22. Transfer Payments	347.0	343.7	345.1	357.1	359.2	360.9	363.7	378.3	381.6	384.0	7.1	4.7	6.2	344.0	360.2	382.7
23. Grants-in-Aid to State and Local Governments	86.7	86.4	86.9	87.3	87.5	88.1	88.0	88.5	88.3	88.6	3.1	1.4	0.9	86.5	87.7	88.5
24. Net Interest Paid	91.8	100.8	106.6	109.2	113.1	116.6	119.9	124.8	131.2	137.1	14.1	18.4	16.4	96.9	114.7	133.5
25. Deficit of Government Enterprises	18.2	19.8	23.3	20.4	18.8	16.5	16.8	15.7	16.2	16.3	26.6	-9.5	-10.5	20.0	18.1	16.2
26. Federal Surplus	-166.1	-187.6e	-186.0	-185.8	-186.4	-182.0	-186.7	-198.7	-203.2	-195.8	-	-	-	-180.8	-185.2	-199.6
27. Federal Debt Held by Individuals (EOP)	950.5	999.7e	1049.0	1103.4	1135.0	1184.4	1233.1	1289.8	1335.5	1376.5	23.7	17.6	16.2	1049.0	1233.1	1433.1
28. Total Government Surplus	-114.4	-132.9e	-129.0	-129.2	-131.2	-128.3	-132.4	-143.8	-149.1	-143.6	-	-	-	-129.8	-130.3	-146.2

Table 6.

Georgia State University
College of Business Administration
Economic Forecasting Project
November 1983

Selected Economic Variables of the U.S. Economy for 1983-II and 1983-III with Forecasts for 1983-IV through 1985-III

	1983			1984				1985			Percent Change			Annual		
	II	III(P)	IV	I	II	III	IV	I	II	III	82-83	83-84	84-85	1983	1984	1985
Private Economy																
1. Change in Private Hourly Wage Costs	4.3	4.0	4.9	8.4	6.1	6.1	6.4	7.4	6.9	6.7	4.9	6.7	6.9	-	-	-
2. Change in Output Per Worker Hour	4.8	3.0	1.9	3.8	3.0	1.4	2.8	0.8	1.9	1.4	2.9	2.7	1.4	-	-	-
3. Change in Implicit Unit Labor Costs	-0.5	0.9	2.9	4.9	4.7	4.9	5.3	5.5	5.2	5.5	1.9	3.9	5.4	-	-	-
4. Change in Adjusted Price Deflator	3.2	3.9	3.5	4.2	4.5	5.0	5.0	5.7	5.7	5.8	4.4	5.0	5.7	-	-	-
Prices																
5. Consumer Price Index	296.6	300.1	303.5	306.6	310.0	314.6	318.9	323.3	327.8	332.6	3.2	4.7	5.7	298.4	312.5	330.2
6. Industrial Commod. (PPI)	313.8	317.1	320.6	323.7	327.1	331.0	335.3	339.5	344.6	349.4	1.3	4.2	5.3	316.3	329.3	346.9
Corporate Economy																
7. After Tax Profit	127.2	143.7e	152.2	156.7	157.9	161.9	168.6	173.3	177.8	182.5	15.4	21.5	12.2	132.8	161.3	180.9
8. Inventory Profits	10.6	15.1	16.4	19.2	18.5	20.1	20.4	23.1	22.3	21.2	31.0	78.2	12.2	11.0	19.6	22.0
9. Genuine Profits	142.2	166.8e	183.1	192.2	197.9	201.7	209.6	212.4	219.0	225.3	45.0	30.9	11.1	153.1	200.4	222.7
10. Mean Closing - Dow Jones	1200.9	1218.6	1263.6	1401.6	1385.9	1421.2	1376.4	1427.5	1387.3	1321.5	35.3	16.9	-3.0	1194.2	1396.3	1354.0
11. Mean Closing - NY Composite	93.88	95.50	97.82	107.66	108.75	111.07	109.62	114.35	112.16	108.64	35.2	17.4	1.2	93.09	109.28	110.60
Financial																
12 Monetary Base	192.9	195.9	199.1	202.6	206.4	210.0	213.6	217.0	220.6	224.5	9.2	7.4	6.9	193.9	208.2	222.6
13. Checkable Deposits	366.0	374.6	377.7	383.4	391.5	398.7	404.7	409.1	413.3	423.4	11.7	7.1	6.2	368.3	394.6	418.9
14. M1	505.2	516.5	522.3	530.6	541.4	551.1	559.9	566.9	574.0	586.8	11.0	7.3	6.4	508.6	545.8	581.0
15. Velocity of M1	6.389	6.421	6.532	6.602	6.626	6.639	6.713	6.765	6.829	6.818	-2.7	3.3	3.7	6.431	6.645	6.888
16. M2	2095.1	2136.2	2178.3	2232.3	2292.9	2350.9	2406.5	2456.7	2507.3	2575.3	12.5	9.8	9.6	2113.3	2320.7	2543.9
17. Velocity of M2	1.541	1.553	1.566	1.569	1.565	1.556	1.562	1.561	1.563	1.554	-3.9	1.0	0.7	1.548	1.563	1.573
18. Federal Funds	8.80	9.46	9.27	8.79	8.93	9.12	9.26	8.89	8.95	9.68	-26.2	0.2	3.0	9.05	9.07	9.34
19. Prime Rate	10.50	10.80	11.00	10.66	10.50	10.50	10.50	10.50	10.73	11.22	-27.3	-2.8	3.6	10.80	10.54	10.92
20. 6 Month T-Bills	8.47	9.31	8.73	8.27	8.41	8.41	8.52	8.40	8.51	8.84	-21.7	-3.1	3.7	8.67	8.40	8.71
21. Seasoned AAA Corp.	11.57	12.34	12.13	11.68	11.76	11.52	11.60	11.43	11.56	12.02	-13.2	-2.8	2.0	11.97	11.64	11.87
22. Conventional Mortgage Rates	13.03	13.53	13.55	13.08	13.12	12.86	12.93	12.75	12.88	13.29	-19.1	-3.1	0.5	13.42	13.00	13.07
23. Savings Capital S&L	600.0	613.9	629.5	639.7	652.0	665.0	677.8	689.1	702.8	715.3	12.5	8.0	7.7	608.5	658.6	709.1
Miscellaneous																
24. Housing Starts	1683	1788	1539	1494	1533	1617	1618	1669	1684	1658	57.5	-6.6	6.5	1676	1566	1668
25. Single Family Starts	1104	1061	967	938	976	1028	1046	1073	1061	1036	58.3	-5.3	5.9	1053	997	1056
26. Unit Auto Sales	9.23	9.30	9.83	10.25	10.42	10.65	10.73	10.65	10.62	10.53	15.2	13.6	0.9	9.25	10.51	10.60
27. Civilian Employment	99934	101598	102316	103088	103769	104372	105003	105567	106116	106699	1.2	3.3	2.3	100735	104058	106432
28. Unemployment Rate	10.1	9.4	8.8	8.6	8.4	8.4	8.2	8.1	8.0	7.9	-1.0	-12.5	-4.8	9.6	8.4	8.0
29. Industrial Production Index	144.5	151.6	156.0	159.3	161.7	162.3	165.0	165.5	166.5	167.1	6.5	9.7	3.1	147.7	162.1	167.2
30. Asset-Consumption Ratio	3.161	3.149	3.147	3.204	3.189	3.187	3.156	3.175	3.143	3.096	5.1	1.0	-0.3	3.151	3.184	3.175

Table 7.

Georgia State University
College of Business Administration
Economic Forecasting Project
November 1983

U.S. Foreign Trade Accounts for 1982 with Forecasts for 1983 through 1985

	1982	1983	1984	1985	Percent Change 81-82	82-83	83-84	84-85
Exports of U.S. Merchandise	212193	202226	217323	239089	-9.2	-4.7	7.5	10.0
Food & Live Animals	23950	23896	26016	27187	-20.9	-0.2	8.9	4.5
Beverages & Tobacco	3026	2745	2886	3262	3.8	-9.3	5.1	13.0
Crude Materials	19248	19539	23416	25253	-8.3	1.5	19.8	7.8
Mineral Fuels	12729	9969	10280	11780	23.8	-21.7	3.1	14.6
Animal & Vegetable Oils	1541	155.	1663	1723	-11.9	0.6	7.2	3.6
Chemicals	19891	19730	220687	25125	-6.1	-0.8	11.8	13.9
Manufactured Goods	16739	14888	15455	17652	-18.9	-11.1	3.8	14.2
Machinery, Trans. Equipment	87128	82669	86198	94542	-9.0	-5.1	4.3	9.7
Miscellaneous Manufacturing	15959	15296	16245	17960	-4.7	-4.2	6.2	10.6
Commodities, n.e.c.	6866	7502	8311	9404	-18.2	9.3	10.8	13.2
Re-exports	5117	4444	4785	5398	7.1	-13.2	7.7	12.8
Imports of Merchandise	243952	260397	301558	331005	6.5	6.7	15.8	9.8
Food & Live Animals	14453	16010	17495	19122	-5.0	10.8	9.3	9.3
Beverages & Tobacco	3364	3298	3374	3675	7.2	-2.0	2.3	8.9
Crude Materials	8589	9963	13959	16243	-22.2	16.0	40.1	16.4
Mineral Fuels	65409	60411	66089	70662	-19.6	-7.6	9.4	6.9
Animal & Vegetable Oils	406	479	568	570	-15.2	18.0	18.6	0.4
Chemicals	9494	10825	13103	15619	1.8	14.0	21.0	19.2
Manufactured Goods	33148	35886	45409	49747	-10.9	8.3	26.5	9.6
Machinery, Trans. Equip.	73320	83192	93330	102270	5.2	13.5	12.1	9.6
Misc. Manufacturing	28061	32071	39053	43037	6.9	14.3	21.8	10.2
Commodities, n.e.c.	7708	8265	9180	10062	5.8	7.2	11.1	9.6
Balance of Payments Accounts								
Total Exports	348324	337403	375803	41[illegible]240	-7.0	-3.1	11.4	10.5
Merchandise	211217	200502	215638	237397	-10.9	-5.1	7.5	10.1
Reinvestment	5323	12021	20843	22485	-	-	-	-
Other Investment	78823	68839	79820	91299	8.3	-12.7	16.0	14.4
Other Goods & Services	52961	56042	59503	64060	3.1	5.8	6.2	7.7
Total Imports	351502	370783	430900	473965	-3.2	5.5	16.2	10.0
Merchandise	247606	261853	302625	332556	-6.6	5.8	15.6	9.9
Reinvestment	-164	2028	3180	3216	-	-	-	-
Other Investment	57006	54567	66495	75198	16.3	-4.3	21.9	13.1
Other Goods & Services	47054	52336	58600	62984	4.0	11.2	12.0	7.5
Current Account Balance	-11211	-40604	-63123	-66926	-	-	-	-

Table 8.

Georgia State University
College of Business Administration
Economic Forecasting Project
November 1983

Implicit Price Deflators for Personal Consumption Expenditures for 1983-II and 1983-III with Forecasts for 1983-IV through 1985-III

	1983			1984				1985			Percent Change			Annual		
	II	III(P)	IV	I	II	III	IV	I	II	III	82-83	83-84	84-85	1983	1984	1985
Durable Goods	177.5	179.2	181.3	183.2	184.8	186.5	188.4	190.4	192.6	194.4	2.3	3.9	4.1	178.8	185.7	193.4
% Change	0.5	3.8	4.7	4.3	3.4	3.7	4.0	4.4	4.6	3.8						
Automobiles	193.7	196.0	198.5	201.2	203.0	205.0	207.3	210.0	212.4	214.7	2.3	4.3	4.7	195.7	204.1	213.6
% Change	-1.6	4.8	5.2	5.5	3.7	3.9	4.7	5.3	4.6	4.5						
Furniture	157.6	158.0	158.9	159.6	160.5	161.7	162.9	164.3	166.0	167.6	1.0	2.0	3.4	158.1	161.2	166.7
% Change	-0.5	1.0	2.3	1.7	2.3	3.0	3.1	3.5	4.2	4.0						
Other Durables	184.2	187.4	189.0	190.4	192.5	195.1	197.6	200.0	202.6	205.2	2.6	4.2	5.2	186.1	193.9	203.9
% Change	0.7	7.1	3.5	3.1	4.3	5.6	5.1	5.0	5.2	5.3						
Nondurables	213.4	215.8	217.5	219.6	222.2	225.6	228.8	231.7	234.7	237.4	2.5	4.6	5.4	214.3	224.1	236.1
% Change	5.3	4.5	3.3	3.9	4.7	6.3	5.8	5.2	5.2	4.7						
Food	221.6	220.9	222.7	225.1	228.4	232.6	236.3	239.3	242.3	244.9	2.5	4.3	5.7	221.0	230.6	243.8
% Change	5.4	-1.3	3.3	4.3	6.0	7.6	6.5	5.2	5.0	4.5						
Apparel	142.9	145.6	147.1	148.5	150.1	152.4	154.1	155.5	157.2	158.7	2.3	4.9	4.4	144.3	151.3	158.0
% Change	3.4	7.8	4.2	3.8	4.5	6.2	4.7	3.8	4.2	4.0						
Gasoline & Oil	343.8	353.9	358.2	359.8	365.0	369.3	375.0	380.6	388.5	395.3	-2.9	5.9	6.6	348.8	367.3	391.5
% Change	16.1	12.3	4.9	1.8	5.9	4.8	6.3	6.1	8.6	7.2						
Fuel Oil	518.3	527.8	538.3	543.2	548.4	555.9	568.3	582.7	596.2	606.8	-6.0	4.3	8.6	531.4	554.0	601.5
% Change	-15.8	7.5	8.2	3.7	3.9	5.6	9.2	10.5	9.6	7.3						
Other Nondurables	213.4	215.8	219.1	221.6	224.5	227.3	230.2	233.4	236.8	240.4	7.2	5.1	5.6	214.9	225.9	238.5
% Change	3.8	4.6	6.2	4.7	5.3	5.0	5.3	5.6	6.0	6.2						
Services	223.1	225.2	227.9	230.7	233.6	236.6	239.8	243.4	246.9	250.6	5.9	5.0	5.7	224.0	235.2	248.7
% Change	6.2	3.8	4.8	5.0	5.1	5.3	5.6	6.1	5.9	6.1						
Housing	204.9	207.3	209.7	212.3	214.8	217.3	219.9	222.6	225.5	228.5	5.7	4.9	5.0	206.1	216.1	227.0
% Change	4.6	4.8	4.8	5.0	4.9	4.8	4.9	5.0	5.3	5.4						
Electricity & Gas	330.3	328.7	332.4	337.4	342.2	347.9	354.1	361.1	370.3	377.1	7.3	5.1	8.0	328.6	345.4	373.1
% Change	9.0	-1.9	4.6	6.2	5.8	6.8	7.3	8.2	10.5	7.6						
Household Operations	185.6	186.6	188.0	189.5	191.6	194.1	196.5	200.5	202.8	205.0	5.8	3.7	5.8	186.1	192.9	204.0
% Change	2.9	2.2	3.1	3.3	4.4	5.3	5.0	8.3	4.6	4.5						
Transportation	225.5	226.0	229.3	232.5	236.4	239.4	242.6	246.2	250.4	254.9	5.1	5.0	6.2	226.4	237.7	252.5
% Change	1.6	0.9	6.0	5.7	6.8	5.2	5.5	6.1	7.0	7.4						
Other Services	232.4	235.2	238.1	241.0	244.0	247.3	250.7	254.4	258.1	262.0	6.1	5.2	5.8	233.7	245.8	260.0
% Change	6.3	4.9	5.0	4.9	5.2	5.5	5.6	6.0	5.9	6.2						
Personal Consumption Expenditures	212.5	214.5	216.6	218.9	221.4	224.4	227.3	230.4	233.5	236.6	4.0	4.5	5.4	213.4	223.0	235.0
% Change	4.6	4.0	4.0	4.4	4.7	5.4	5.2	5.5	5.5	5.3						
Consumer Price Index	296.6	300.1	303.5	306.6	310.0	314.6	318.9	323.3	327.8	332.6	3.2	4.7	5.7	298.4	312.5	330.2
% Change	4.2	4.8	4.6	4.2	4.5	6.1	5.6	5.6	5.7	6.0						

Table 9.

Georgia State University
College of Business Administration
Economic Forecasting Project
November 1983

Implicit Price Deflators with Annual Percentage Changes for 1983-II and 1983-III with Forecasts for 1983-IV through 1985-III

	1983			1984				1985			Percent Change			Annual		
	II	III(P)	IV	I	II	III	IV	I	II	III	82-83	83-84	84-85	1983	1984	1985
GNP Deflator	214.55	216.37	218.92	221.62	224.19	226.95	230.20	233.33	236.31	239.50	4.2	4.7	5.4	215.67	225.74	238.02
% Change	3.3	3.4	4.8	5.0	4.7	5.0	5.8	5.5	5.2	5.5						
Personal Cons. Exp.	212.5	214.5	216.6	218.9	221.4	224.4	227.3	230.4	233.5	236.6	4.0	4.5	5.4	213.4	223.0	235.0
% Change	4.6	4.0	4.0	4.4	4.7	5.4	5.2	5.5	5.5	5.3						
Private Domestic Investment	214.1	217.4	220.5	222.4	224.4	226.4	229.2	232.2	234.5	237.5	1.5	4.3	4.7	216.3	225.6	236.2
% Change	2.7	6.3	5.8	3.5	3.6	3.6	5.0	5.1	4.2	5.2						
Structures	263.7	262.7	263.0	264.5	266.5	268.8	271.6	275.1	278.7	282.5	-0.9	1.7	4.7	263.4	267.9	280.4
% Change	-0.5	-1.4	0.5	2.3	3.1	3.5	4.3	5.2	5.3	5.6						
Producers' Durables	182.1	183.2	184.6	186.3	187.8	189.6	191.5	193.5	195.9	198.3	-0.1	3.2	4.3	182.9	188.8	197.0
% Change	0.7	2.3	3.2	3.7	3.3	3.8	4.2	4.3	4.9	5.1						
Residential Structures	243.9	247.2	250.0	252.6	255.3	258.4	261.7	265.1	268.2	271.5	2.6	4.3	5.0	246.5	257.0	269.9
% Change	-1.6	5.5	4.6	4.3	4.2	4.9	5.2	5.3	4.8	4.9						
Exports	240.2	242.5	246.5	250.9	254.4	257.6	261.0	264.3	267.8	271.4	2.5	5.9	5.3	241.8	256.0	269.6
% Change	3.6	4.0	6.7	7.3	5.7	5.2	5.3	5.1	5.4	5.5						
Imports	270.7	278.4	282.2	285.8	289.9	294.4	298.8	303.8	309.9	314.8	-1.7	6.6	6.8	274.2	292.2	312.0
%Change	8.3	11.8	5.5	5.2	5.8	6.3	6.2	6.9	8.3	6.4						
Federal	232.7	235.2	240.4	244.3	247.1	249.8	256.8	260.2	263.2	266.5	5.8	6.3	6.6	234.8	249.5	266.0
% Change	3.2	4.2	9.2	6.7	4.7	4.4	11.7	5.4	4.7	5.1						
Federal Purchases	251.0	254.4	258.7	262.5	265.9	269.5	273.0	276.9	281.1	285.5	6.2	5.8	5.8	253.1	267.7	283.2
% Change	4.4	5.5	6.9	5.0	5.3	5.6	5.3	5.9	6.2	6.4						
Federal Value Added	208.4	208.9	216.1	218.4	219.0	219.8	231.2	233.5	234.3	235.2	4.9	5.6	7.0	210.3	222.1	237.6
% Change	1.2	1.0	14.5	4.3	1.2	1.4	22.5	4.0	1.4	1.5						
State & Local	234.8	238.2	241.4	245.6	249.5	254.2	258.0	262.2	266.4	271.6	6.1	6.5	6.8	236.5	251.8	269.0
% Change	5.8	5.8	5.5	7.1	6.5	7.7	6.1	6.7	6.6	8.0						
State & Local Purchases	247.3	249.3	251.5	254.7	257.8	261.6	265.1	268.8	272.7	277.1	3.2	4.6	5.8	248.3	259.8	274.9
% Change	3.3	3.3	3.6	5.2	5.0	5.9	5.5	5.7	6.0	6.6						
State & Local Value Added	226.5	230.6	234.6	239.2	243.7	248.8	252.8	257.4	262.0	267.5	8.2	7.7	7.6	228.6	246.1	264.7
% Change	7.4	7.4	7.2	8.'	7.7	8.8	6.5	7.6	7.3	8.6						

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ECONOMY REMAINS STRONG AS 1984 BEGINS

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Commentary

Current Conditions

Almost everyone was surprised by the economic weakness that surfaced during the fourth quarter. With only a few exceptions, the monthly data for December indicated significant signs of economic slowing. Retail sales were announced as rising only 0.1%, although the outlays on durable and nondurable consumption reported a few weeks later in the personal income report suggest that an increase of about 0.9% was more appropriate. Housing starts fell 5% with a surprisingly sharp 11.4% decline in single-family units. More significantly, industrial production slowed to a gain of 0.5%, the smallest increase since the recovery began. Moreover, a modest increase in orders for nondefense capital goods was not sufficient to overtake a dramatic surge in the shipments of such goods in December. This suggests that the burst in spending on producers' durables cannot continue into the winter.

The reported culprit for the surprising slowing in GNP was the dramatic increase in the trade deficit. While such deficits undoubtedly are increasing sharply, they accounted only for $5 billion of the $30 billion underestimate in reported GNP for the fourth quarter. Morevoer, trade figures for December were not available when the GNP estimates were made. A temporary easing in the size of that deficit suggests that about $7 billion will be added to the trade sector when more complete GNP data are available. Another $5 billion in our overestimate of GNP was caused by overestimating consumer spending. As the level of savings was approximately anticipated, this error could be the result of consumer response to lower earnings than had been projected. However, most of the weakness was in nondurables, primarily grocery store sales. Apparently, unusually treacherous winter weather late in December prevented many consumers from making their normal grocery runs toward the end of the month. They, in effect, reduced their "pantry inventory". Therefore, this $5 billion shortfall will re-emerge once those pantries are restocked in January. Thus, some of the apparent weakness during the fourth quarter was merely a transfer of consumer spending from that quarter into the first quarter of 1984. The result will be stronger activity early in 1984 than originally expected.

Another $5 billion differential between reported GNP and our estimates was in the investment sector. A small part of this was caused by greater liquidation of farm inventories than anticipated. Actually, the methodology used to estimate inventories in the private farm sector may be understating the amount of crops that were transferred from the Commodity Credit Corporation to private inventory holdings. Farm inventories and/or purchases by the Commodity Credit Corporation should begin making positive contributions to GNP as early as the first quarter. In fact, the swing in farm production probably will be adding as much as 1.5 percentage points to the differential between fourth quarter and first quarter real GNP.

Of course, the disruption in grocery purchasing patterns normally would result in accumulated inventories with little effect upon overall production. However, the severe weather also disrupted production and distribution. Indeed, an unexpected decline in manufacturing inventories during December suggests that the GNP estimates are overstating business inventories at the present time.

Several small factors created some of the error in estimating investment expenditures, but the largest deviation from anticipations was in housing. Normally, the summer surge in multi-family housing starts would continue to generate strong construction expenditures through the fourth quarter. Once again, however, weather appears to have delayed construction expenditures. Now that the weather has turned to more normal patterns, a surge in construction after seasonal adjustment is anticipated in the winter months. In addition, Congress has failed to develop appropriate formulas for distributing funds from the 5-cent gasoline tax. This has slowed spending on highway programs. Congress is expected to act in the winter months, permitting increased spending on structures by state and local governments by the spring.

The bulk of our forecasting error during the fourth quarter was in government. First, we mistakenly assumed that federal pay increases would occur at the beginning of the fiscal year. In fact, they occurred at the beginning of the calendar year. This lowered the GNP deflator in the fourth quarter and accelerated it in the first quarter from what previously was anticipated. In addition, more purchasing power is provided in the first quarter, permitting the continuation of reasonable consumer spending. Second, declining petroleum prices through the fourth quarter permitted the federal government to purchase its energy needs at lower values than originally anticipated. As some of these prices since have reversed, spending on nondurables in both the defense and nondefense budgets should regain budgeted amounts in the first quarter. Third, a significant downward revision in purchases of defense durables during the third quarter led to a shortfall from budget during the fourth quarter as well. A continuation of less than budgeted spending in this category is likely, as the cause of the shortfall appears to be lower inflation rates for the goods than had been anticipated in the budget.

In short, most of the slowing in GNP during the fourth quarter was the result of measurement errors (as in the trade sector), temporarily favorable inflationary conditions (as in government procurement), or weather conditions in construction, grocery sales, and some manufacturing production. These are not conditions that lead to anticipations of sharply reduced growth rates during the first half of 1984.

However, many economists are anticipating significant slowing in economic growth. Some have even declared the possibility of a growth recession, a condition where economic activity is growing, but far below sustainable levels. The December weakness certainly encouraged this point of view. However, most arguments in favor of a dramatic slowing are being raised by those looking at monetary conditions. Before new seasonals were estimated for 1983, money growth and adjusted reserves slowed dramatically in the last five months. Recently developed seasonal factors show that the surge in money growth early in 1983, and the subsequent slowing, both were not as dramatic as originally feared. (The dramatic changes in estimated money growth rates caused by the introduction of one more year of monetary statistics strongly suggests that seasonal patterns are much more unstable than most monetarists care to recognize.) At least some monetarists have claimed that this money slowing must lead to a significant slowing in the growth of nominal GNP. As it is also apparent that inflationary

pressures are slowly intensifying (indeed, monetarists would argue that such an increase is inevitable as a result of rapid money growth earlier in 1983), this would mean a significant slowing in real economic activity.

The just-released employment statistics for January strongly suggest that the monetarists must, at least, push back their timetable for this slowing. Not only did payroll employment expand by 287,000, but the manufacturing workweek expanded by 0.4 hours. Normally, such an acceleration both in employment and hours suggests that employment growth will remain vigorous for several more months. As a result, the growth of personal income during the first quarter will be sufficient to sustain consumer spending near the fourth quarter rate of growth. Moreover, there is ample evidence that a disproportionate share of consumer spending during the Christmas season went to foreign-produced goods. Thus, the 34% real rate of increase in imports in that quarter cannot be sustained.

Of course, the employment figures in January were especially strong because a significant portion of the rebound reflected a return to normal conditions after an unusually depressed December. Therefore, the vigor implied in the January data should not persist through the first quarter. If the December and January levels of activity are averaged, a pattern of gradual slowing in economic growth emerges. At nearly 1.8 million units, annual housing starts, after considering manufactured home shipments, are slightly above long-term household rates of growth. While some backlog was created in the recent recession, when household formations dropped to less than 400,000 in 1982, further gains from the current level of housing activity will be difficult to justify in terms of housing needs. Also, automobile sales finally have exceeded replacement needs. The median age of the auto stock has peaked at 7.2 years and should now decline. While a surge in automobile sales to 11 million or more cannot be ruled out for a short period of time, as in January, most of the growth in automobile sales now has been accomplished. Similar arguments can be generated for furniture, appliances, and household furnishings.

Moreover, the expansion in capital goods has begun with the dramatic increase in shipments of nondefense capital goods during the fourth quarter. As those shipments currently are outstripping orders, some slowing in the growth of producers' durables is almost certain early in 1984. This will be largely offset by accelerating gains in nonresidential construction, although the utilities already may have begun a decade-long down trend in their construction activity. Certainly, growth in capital goods will remain robust, but it will not provide more contributions to economic growth than during the fourth quarter.

This leaves two areas remaining to provide increased growth even as spending on housing and consumer durables grow more slowly. They are inventories and net exports. Inventories already have contributed 2.1 percentage points to the growth of GNP in the four quarters of 1983. Only one percentage point was contributed by inventories during the fourth quarter. Normally, inventories soon would cease to become a significant contributor to economic growth. However, inventories continue to expand at only about half the rate of economic activity. In the last six months, factory shipments have increased more than 8% with no significant change in inventories. Inventories cannot be expected to continue growing at only a small fraction of the rate of increase in economic activity. (Apparently, both the manufacturer and retailer have begun to rely more substantially on the wholesaler to meet their inventory needs. This farming out of inventory management has been efficient.) Changes

in inventory certainly will not contribute as much to economic activity in 1984 as in 1983, but the re-emergence of a closer relationship between changes in inventories and changes in sales should permit one last spurt in the contribution of inventory investments to growth during the early part of 1984.

Net exports almost certainly will not decline as rapidly in the early quarters of 1984 as they did late in 1983, for the reasons mentioned above. Unfortunately, the unusually cold winter weather will require some increases in oil imports during the winter and early spring. This will prevent any significant gains from developing in the net export category. Furthermore, the unusually large current account deficit, already in excess of $60 billion and rising to an estimated $80 billion by early 1985, will begin to erode net factor income from abroad. For these reasons, it is unlikely that net exports will be a significant contributor to economic growth in 1984. However, the dollar should begin to lose its potency in the currency markets under the weight of this heavy and unremitting debt load. Late in the year, the impact of this declining dollar should arrest any further erosion in the merchandise balances. Although the dollar devaluation will initially improve the real contributions from trade without providing any improvement in the trade deficit, changes in merchandise trade balances should begin to diminish the current account deficit late in 1985. Certainly, the trade sector will be a positive contributor to economic activity in that year.

Of course, any weakening in the dollar's value will have an adverse effect upon domestic inflation. A 10% reduction in the value of the dollar is estimated to cause prices to rise by 1.5% in the two years subsequent to such a change. Because the dollar rose so dramatically through 1983, a dramatic decline in 1984 will merely cancel out the favorable lagged effects from the earlier appreciation. To be sure, inflation late in 1984 no longer will be restrained by a strong dollar as it was in 1983. However, devaluation will have no adverse effects upon inflation until 1985.

Moreover, the magnitude of inflationary pressures generated by a decline in the value of the dollar could be smaller than normal. Trade restraints may be eased on automobiles from Japan in 1985 while foreign suppliers into the United States might choose to defend market share and let their appreciating currencies merely reduce profitability. (After all, this would permit a larger presence in the American markets when the next wave of trade restraints developed.) Nevertheless, some inflationary fallout should be anticipated from the declining dollar.

Inflation also is being stimulated by responses to bad weather. In the first quarter, the government pay increase automatically increases the GNP deflator. Also, the winter weather has momentarily increased prices for petroleum products and some food products. Meat prices still are expected to show significant increases in response to higher feed grain costs generated by the 1983 drought. However, the decline in herds has been smaller than anticipated. This means that food prices will not rise as sharply in 1984 as was once feared. Moreover, more moderate food prices can be expected in 1985 in the absence of any severe weather problems.

Although wages have not yet begun to accelerate (the hourly earnings index is up only 3.6% from previous year levels), a two-phase increase in Social Security taxes will add to labor costs in 1984 and 1985. The rapid decline in unemployment surely will generate increasing wage demands as the year progresses. In addition, the recovery burst in productivity appears to have

ended in the fourth quarter. More modest gains in productivity now are anticipated in the next two years. This means that unit labor costs will be accelerating sharply. Import competition will prevent companies from maintaining profit margins under this upward cost pressure. Therefore, corporate profits will grow much more slowly in 1984 and 1985 than in 1983. Despite these developing price pressures, only a marginal acceleration in price changes is anticipated. The major reason for continued inflation moderation is the anticipation that food prices will not be a significant problem once the meat price adjustment has been completed. Petroleum-based energy prices will return to a trendless pattern following the winter pricing surge, and housing cost pressures will continue to be contained by the over-building of apartment units and the restraining influence of high interest rates relative to inflation.

Unfortunately, many of the economic imbalances that tend to precede economic downturns will become apparent in 1985. At that time, interest rates are expected to be trending significantly upward. Inflation will begin to intensify, while increased cost pressures will begin to outstrip corporate ability to raise prices. Profits may continue to grow, but most of those gains will be generated by rising inflation. Thus, the possibility of an economic decline late in 1985 or early in 1986 cannot be ruled out.

Recent Performance

As mentioned, economic activity in the fourth quarter was surprisingly weak. However, most of the deviation from our forecast was the result of faulty assumptions in the case of government compensation or temporary events that merely shifted the timing of economic activity. Several changes in our estimating procedures were made, however.

First, inventory investment behavior clearly indicates that desired relationships between inventories and sales have significantly changed. High interest rates, increased communications capability, and the obvious efficiencies of consolidating inventory holdings at the wholesale level rather than maintaining inventories at all stages of processing, have fundamentally reduced the desired inventory/sales ratio. However, changes in inventories soon should correspond more closely to changes in sales once this fundamental adjustment has been completed. Current additions to inventories are not sufficient to establish even a moderately declining inventory/sales ratio. While the timing of this adjustment is difficult to determine, inventory investments probably will continue to be a significant contributor to economic growth in the first half of 1984.

Government purchases of goods and services have been reduced under the assumption that spending below budget in defense will not be made up. This may not be a good assumption. Defense Secretary Weinberger has converted all the gains in purchasing power from reduced inflation into more weapons. Two years ago the current administration was arguing for a five-year real growth path of 9% in defense. Current proposals have upped those spending plans to a real gain of 13%. Certainly, if the need for defense spending has accelerated, then the current administration must be doing something dreadfully wrong in foreign policy.

Production disruptions during the fourth quarter led to lower productivity gains than had been anticipated. Because of price restraints from imported

goods, the resulting higher unit labor costs could not be passed on in the form of higher prices. Therefore, corporate profitability became depressed. It no appears that corporate profits will perform more poorly than originally expected in the forecast period. This is a major factor leading to a significant downward revision in stock market estimates during the next two years. Indeed, profitability is reduced from previous forecasts while interest rates are increased. Thus, equity values must grow much more slowly than originally anticipated. the stock market still appears to be a good value at 1200, but the upside potential in excess of 1300 is not very substantial. Moreover, there is virtually no upside potential for foreign investors who must contrast a 12% dollar gain in their holdings with a comparable decline in the dollar's value in terms of their currencies.

It is becoming clear that females and teenagers are not as actively seeking work as previous projections suggested. In the last year, the female participation rate has not increased while the participation rate for teenagers has actually declined, despite an increasing concentration of teenagers in the later teenage years, where participation rates are naturally higher. A spurt in the teenage labor force still is possible, but a relatively flat growth path for the participation rate of females appears to be the new norm. The result of this adjustment is to significantly reduce the unemployment rate for any given level of employment.

Finally, interest rates are considerably higher than originally anticipated. Apparently, the shift in desired savings, as income was distributed away from corporations, appears to have had a greater impact upon supporting interest rates than the slowing in the economy had upon reducing them. To be sure, restrictive monetary policy forced a larger portion of government debt to be accumulated by individuals. some yield concessions were necessary to encourage this needed portfolio adjustment. However, the major factor appears to be the shift in desired savings.

Forecast Assumptions

The budgetary assumptions are contained in Table 5. Implied deficits for FY 1985 are nearly $18 billion higher than proposed by the administration. Two factors appear to be responsible for this discrepancy. First, the administration believes that interest expenses can be held to a 7% gain despite a nearly 12% increase in debt outstanding. This can only be achieved if interest rates are falling in FY 1985. As the forecast shows interest rates will be rising, the interest component is $10 billion higher than in the President's budget. Second, the reduced subsidies anticipated by the government for agricultural products are not expected to materialize. This is why estimates of deficits on government enterprises exceed those presented by the administration.

Some explicit assumptions are as follows:

a) Social Security taxes are expected to increase to 7.0% for the employer in 1984 on a wage base of $37,500. Both the employer and employee are expected to be paying a 7.05% Social Security tax rate in 1985 on a base of $40,500.

b) Military and civilian pay increased by 3.5% at the beginning of the current calendar year. Wage increases were assumed to revert to a fiscal year basis with increases of 5.0% and 5.5% in the two subsequent years. Federal payrolls are expected to increase by 9,000 over the next eight quarters.

c) Excise taxes on airlines, telephones, and tobacco products that were temporarily reinstated in 1983 are expected to become permanent. Also, the Post Office is expected to increase stamp values to 23-cents for first class mail in January 1985.

d) Oil prices are expected to remain at $29.00 in the world market through 1985. This means that the significant run-up in fuel oil prices is the result of temporary market conditions and cannot be sustained.

e) No significant strike activity was assumed. Two majorbargaining activities in 1984 include the Postal Workers during the summer and the U.A.W. in September.

f) The Federal Reserve is assumed to be sufficiently concerned about inflationary pressures to prevent any significant explosion in money growth. Indeed, our estimates are only slightly above the middle point of the Federal Reserve's target range. This is expected to be slightly restrictive.

Conclusion and Summary

The slowing in economic activity that was heralded by the fourth quarter GNP estimates, and apparently confirmed by a host of weak indicators in December, appears to have been more temporary than fundamental. A strong employment report for January clearly implies that economic activity in the first quarter will be more robust than late in 1983. Some natural slowing in growth is anticipated as housing, automobiles, other consumer durables, and finally inventories all reach desired, sustainable levels. Of course, some overshooting is possible, as multi-family construction already appears to be excessive for market need. However, the degree of overexuberance is expected to be relatively modest in the face of unusually high real rates of interest.

While the economy will be naturally slowing in 1984, it will begin to struggle in 1985. By that time consumers will have re-established their desired levels between financial assets and expenditures. Therefore, desired savings should begin to rise. While this might prevent interest rates from rising as high as some people anticipate, it will also set the stage for production excesses leading to a modest economic downturn late in 1985 or 1986.

Inflation is expected to intensify as productivity gains should be less robust than in 1983. Furthermore, wage demands should start to increase as the unemployment rate continues to fall. A declining dollar ultimately will generate inflationary pressures as well, although this impact will be delayed until 1985. On the other hand, housing prices are expected to remain moderate; food prices should again grow more slowly than inflation in 1985 after a brief spurt in 1984; and petroleum prices should show little gain after the winter spurt that developed in recent months. Certainly, a near-term return to double-digit inflation is highly unlikely.

Unfortunately, investment opportunities in this economic environment are not substantial. The flight of foreign investors may prevent any rise in equity values. By mid-year, all economic pressures will be toward reducing equity values. Furthermore, interest rates will begin rising toward the end of the year. Thus, a return to liquidity, such as money market funds, or to speculation in some internationally traded commodity or currencies (to catch the

price adjustment caused by a declining dollar) may be the only game in town. (As much as I hate to mention it, this also would mean that gold now is a relatively sound short-term speculation.)

In summary, economic activity should remain surprisingly robust through 1984 but begin to show signs of weakening in 1985. Indeed, most of the preconditions for another recession as early as the last part of 1985 will be in place early next year. Apparently, only so much prosperity can be borrowed from future generations in the form of monstrous government deficits and from foreigners in the form of high current account deficits.

Table 1.

Georgia State University
College of Business Administration
Economic Forecasting Project
February 1984

U.S. Expenditures for 1983-III and 1983-IV with Forecasts for 1984-I through 1985-IV

	1983		1984				1985				Percent Change			Annual		
	III	IV(P)	I	II	III	IV	I	II	III	IV	82-83	83-84	84-85	1983	1984	1985
1. Personal Consumption Expenditures	2181.1	2233.1	2285.3	2327.5	2374.3	2420.7	2469.9	2519.0	2571.6	2626.1	8.4	9.0	8.3	2158.6	2351.9	2546.7
2. Autos and Parts	135.6	143.2	151.3	154.9	159.2	160.8	165.2	166.7	168.7	170.6	20.8	17.8	7.2	132.8	156.5	167.8
3. Other Durable Goods	147.2	152.0	155.3	158.6	162.2	165.6	168.0	171.0	174.0	177.0	8.3	10.0	7.5	145.8	160.4	172.5
4. Nondurable Goods	814.8	825.9	840.3	852.3	867.3	881.2	896.0	911.9	929.8	948.3	5.7	7.0	7.1	804.3	860.3	921.5
5. Services	1083.5	1112.0	1138.4	1161.7	1185.6	1213.1	1240.7	1269.4	1299.1	1330.2	9.1	9.2	9.4	1075.7	1174.7	1284.9
6. Gross Private Domestic Investment	501.1	529.8	548.3	569.8	587.0	600.7	609.1	620.3	635.1	647.6	13.7	22.3	8.9	471.3	576.5	628.0
7. Residential Structures	141.5	140.8	142.2	146.9	147.1	148.2	149.8	150.7	152.5	153.7	43.8	12.0	3.8	130.5	146.1	151.7
8. Other Structures	130.9	134.5	138.2	142.0	146.9	151.9	156.7	161.6	166.5	171.2	-7.4	10.2	13.3	131.4	144.8	164.0
9. Producers' Durables	220.2	236.8	245.5	252.3	258.9	265.2	271.2	277.1	282.6	288.4	4.8	18.1	9.5	216.3	255.5	279.8
10. Change in Inventories	8.5	17.7	22.4	28.6	34.1	35.4	31.4	30.9	33.5	34.3	-	-	-	-6.9	30.1	32.5
11. Net Export of Goods and Services	-18.3	-32.6	-35.3	-39.7	-47.4	-47.2	-50.1	-49.4	-48.5	-46.2	-	-	-	-10.6	-42.4	-48.6
12. Exports	341.1	348.1	351.6	357.5	362.8	371.4	377.4	387.2	397.8	407.6	-3.4	7.4	8.8	335.8	360.8	392.5
13. Imports	359.4	380.7	386.9	397.2	410.2	418.6	427.5	436.6	446.3	453.8	4.9	16.4	9.4	346.4	403.2	441.1
14. Government Purchases of Goods and Services	698.3	701.7	728.7	748.3	766.4	793.2	810.8	829.9	851.0	878.7	6.3	10.0	11.0	690.2	759.2	842.6
15. Federal	278.1	275.6	292.6	302.9	310.2	326.2	333.4	341.5	350.3	366.0	6.4	11.9	12.9	275.2	308.0	347.8
16. National Defense	201.2	206.1	215.2	220.7	226.7	239.1	246.4	254.1	262.1	274.6	11.6	12.5	15.0	200.3	225.4	259.3
17. Other, including NASA	76.9	69.4	77.4	82.2	83.5	87.1	87.0	87.4	88.2	91.4	-5.5	10.3	7.1	74.9	82.6	88.5
18. State and Local	420.2	426.1	436.1	445.4	456.2	467.0	477.4	488.4	500.7	512.7	6.3	8.7	9.7	415.0	451.2	494.8
19. Gross National Product	3362.2	3432.0	3527.0	3605.9	3680.3	3767.4	3839.7	3919.8	4009.2	4106.2	-	-	-	3309.5	3645.2	3968.7
20. Amount of Change	90.2	69.8	95.0	78.9	74.4	87.1	72.3	80.1	89.4	97.0	-	-	-	236.5	335.7	323.5
21. % Change*	11.5	8.6	11.5	9.3	8.5	9.8	7.9	8.6	9.4	10.0	-	-	-	7.7	10.1	8.9
22. % Real Change*	7.6	4.5	5.2	4.8	3.8	3.9	2.5	3.1	3.6	3.5	-	-	-	3.3	5.3	3.4
23. % Price Change*	3.6	3.9	6.0	4.2	4.6	5.7	5.3	5.4	5.7	6.3	-	-	-	4.2	4.6	5.3
24. Implicit Price Deflator	216.44	218.53	221.73	224.04	226.56	229.73	232.71	235.78	239.06	242.74	-	-	-	215.63	225.52	237.57
25. Change in Final Sales	67.1	60.6	90.3	72.7	68.9	85.8	76.3	80.6	86.8	96.2	-	-	-	218.9	298.7	321.1
26. GNP in 1972 Dollars	1553.4	1570.5	1590.7	1609.5	1624.4	1639.9	1650.0	1662.5	1677.1	1691.6	-	-	-	1534.8	1616.1	1670.3

* Annual Rate
(P) Preliminary

Table 2.

Georgia State University
College of Business Administration
Economic Forecasting Project
February 1984

U.S. Real Expenditures for 1983-III and 1983-IV with Forecasts for 1984-I through 1985-IV

	1983		1984				1985				Percent Change			Annual		
	III	IV(P)	I	II	III	IV	I	II	III	IV	82-83	83-84	84-85	1983	1984	1985
1. Personal Consumption	1016.0	1032.2	1042.4	1051.7	1060.8	1068.7	1076.2	1083.4	1090.9	1098.8	4.2	4.4	3.0	1011.4	1055.9	1087.3
2. Durable Goods	157.9	163.6	168.6	171.2	173.7	174.8	176.5	177.2	177.9	178.5	11.5	10.3	3.1	156.0	172.1	177.5
3. Nondurable Goods	378.1	383.3	384.0	386.9	389.5	391.8	393.8	396.3	399.1	402.5	3.3	3.1	2.5	376.3	388.1	397.9
4. Services	480.1	485.3	489.8	493.6	497.6	502.1	505.9	509.9	513.9	517.8	2.8	3.5	3.2	479.2	495.8	511.9
5. Gross Private Domestic Investment	230.7	242.5	249.3	256.7	261.5	264.3	265.0	266.6	269.4	271.2	12.3	18.1	3.9	218.4	258.0	268.1
6. Residential Structures	56.8	56.1	56.2	57.5	56.9	56.6	56.5	56.1	56.0	55.7	39.6	7.8	-1.2	52.7	56.8	56.1
7. Other Structures	49.6	50.8	52.0	53.0	54.2	55.3	56.3	57.2	58.0	58.7	-6.7	7.6	7.5	49.8	53.6	57.6
8. Producers' Durables	120.5	128.1	131.4	133.5	135.4	137.1	138.6	139.9	141.0	142.2	4.9	13.7	4.5	118.2	134.4	140.4
9. Change in Inventories	3.8	7.5	9.7	12.7	14.9	15.3	13.6	13.4	14.4	14.6	-	-	-	-2.4	13.2	14.0
10. Net Export of Goods and Services	11.4	2.5	0.0	-1.4	-3.7	-2.7	-3.1	-2.2	-1.0	0.6	-	-	-	11.7	-2.0	-1.4
11. Exports	140.7	141.5	141.7	143.1	143.6	145.6	146.4	148.4	150.7	152.5	-5.7	3.3	4.2	138.9	143.5	149.5
12. Imports	129.2	139.0	141.7	144.5	147.3	148.3	149.5	150.6	151.7	151.9	7.5	14.4	3.7	127.2	145.5	150.9
13. Government Purchases of Goods & Services	295.2	293.2	299.0	302.5	305.8	309.6	311.9	314.7	317.8	321.0	0.5	3.7	4.0	293.3	304.2	316.4
14. Federal	118.9	116.9	121.1	123.9	126.0	128.5	129.8	131.4	133.3	135.2	1.2	5.8	6.0	118.0	124.9	132.4
15. State & Local	176.3	176.3	177.9	178.6	179.8	181.1	182.1	183.3	184.5	185.8	0.1	2.3	2.5	175.4	179.4	183.9
16. Gross National Product	1553.4	1570.5	1590.7	1609.5	1624.4	1639.9	1650.0	1662.5	1677.1	1691.6	3.3	5.3	3.4	1534.8	1616.1	1670.3
17. Final Demand	1549.7	1563.0	1581.0	1596.8	1609.5	1624.6	1636.4	1649.1	1662.7	1677.0	2.8	4.3	2.3	1537.2	1603.0	1656.3
18. Private Domestic Product	1375.1	1392.4	1411.3	1431.1	1445.9	1460.8	1469.9	1482.4	1495.5	1508.6	3.9	5.9	3.6	1357.3	1437.3	1489.1

Table 3.

Georgia State University
College of Business Administration
Economic Forecasting Project
February 1984

Income Related U.S. GNP Components for 1983-III and 1983-IV with Forecasts for 1984-I through 1985-IV

	1983		1984				1985				Percent Change			Annual		
	III	IV(P)	I	II	III	IV	I	II	III	IV	82-83	83-84	84-85	1983	1984	1985
1. Compensation of Employees	2011.8	2056.0	2110.7	2153.7	2197.9	2247.2	2296.6	2342.4	2392.0	2448.6	6.7	9.4	8.8	1990.1	2177.4	2369.9
2. Wage and Salary	1681.9	1716.6	1752.1	1785.5	1819.9	1859.8	1896.3	1932.4	1971.9	2018.3	6.1	8.4	8.3	1664.4	1804.3	1954.7
3. Manufacturing	409.2	418.6	426.2	434.2	442.0	450.6	459.1	467.6	476.6	486.0	4.9	8.8	7.8	402.7	438.3	472.3
4. Other Commodity-Producing Industries	128.6	131.2	134.7	138.1	141.3	143.9	147.2	150.2	153.6	156.5	1.2	9.9	8.9	126.9	139.5	151.9
5. Distributive Industries	398.9	409.2	417.3	424.4	431.8	439.3	447.5	455.1	463.2	471.9	4.9	7.8	7.3	397.2	428.2	459.4
6. Service Industries	416.4	425.9	434.9	444.7	454.9	465.3	476.8	487.9	499.9	512.9	10.0	9.4	9.9	411.5	450.0	494.4
7. Military	42.6	42.7	44.3	44.4	44.4	46.9	47.1	47.2	47.3	49.9	4.2	5.6	6.4	42.6	45.0	47.9
8. Civilian Government	286.2	289.1	294.7	299.7	305.5	313.8	318.6	324.4	331.3	341.1	6.9	7.0	8.4	283.5	303.4	328.9
9. Supplements	330.3	339.3	358.6	368.2	378.0	387.4	400.3	410.0	420.1	430.3	9.6	14.4	11.3	326.1	373.1	415.2
10. Proprietors' Income	126.7	139.7	144.7	144.5	146.5	148.0	145.6	147.6	152.5	155.5	18.0	13.5	3.0	128.6	145.9	150.3
11. Business & Professional	111.2	114.4	116.5	119.2	121.5	124.1	125.0	126.5	128.9	130.6	23.1	11.8	6.2	107.6	120.3	127.8
12. Farm	15.5	25.3	28.2	25.3	25.0	23.9	20.6	21.1	23.6	24.9	-2.3	21.9	-11.7	21.0	25.6	22.6
13. Rental Income	53.9	56.2	57.1	58.0	59.0	60.0	61.1	62.2	63.4	64.6	9.8	6.8	7.4	54.8	58.5	62.8
14. Net Interest	246.1	250.4	253.3	257.9	263.1	269.1	276.0	283.2	290.8	297.3	-5.3	5.5	9.9	247.2	260.9	286.8
15. Corporate Profits Adj.	248.4	256.8e	270.4	279.9	287.4	295.0	298.7	302.8	310.2	316.2	37.3	25.1	8.4	226.3	283.2	307.0
16. National Income	2686.9	2759.1e	2836.2	2894.0	2953.9	3019.3	3078.0	3138.2	3208.9	3282.2	8.0	10.5	8.6	2646.9	2925.9	3176.8
17. Indirect Business Tax	291.1	295.7	301.5	306.7	312.2	317.3	323.3	329.1	335.4	342.0	10.6	8.3	7.5	285.8	309.4	332.5
18. Capital Consumption Adj.	3.2	-8.1	-14.9	-19.3	-22.5	-24.6	-25.4	-25.2	-22.9	-19.9	-	-	-	-9.6	-20.3	-23.4
19. Capital Consumption Alw.	378.5	391.7	404.8	417.2	430.3	442.8	455.3	467.2	479.0	490.9	17.3	15.3	11.6	367.7	423.8	473.1
20. Business Transfers	15.7	16.1	16.5	17.0	17.4	17.9	18.4	18.8	19.3	19.8	9.9	11.0	11.0	15.5	17.2	19.1
21. Net Govt. Subsidies	-15.8	-25.2	-17.5	-14.6	-12.1	-12.2	-10.2	-10.7	-10.8	-11.2	-	-	-	-16.3	-14.1	-10.7
22. Statistical Discrepancy	2.5	2.7e	0.4	4.9	1.1	6.9	0.3	2.4	0.3	2.4	-	-	-	0.1	3.3	1.4
23. Gross National Product	3362.2	3432.0	3527.0	3605.9	3680.3	3767.4	3839.7	3919.8	4009.2	4106.2	7.7	10.1	8.9	3309.5	3645.2	3968.7

e = Estimate

Table 4.

Georgia State University
College of Business Administration
Economic Forecasting Project
February 1984

Derivation of U.S. Personal Income for 1983-III and 1983-IV with Forecasts for 1984-I through 1985-IV

	1983		1984				1985				Percent Change			Annual		
	III	IV(P)	I	II	III	IV	I	II	III	IV	82-83	83-84	84-85	1983	1984	1985
1. National Income	2686.9	2759.1e	2836.2	2894.0	2953.9	3019.3	3078.0	3138.2	3208.9	3282.2	8.0	10.5	8.6	2646.9	2925.9	3176.8
2. Less: Corp. Profits Adj.	248.4	256.8e	270.4	279.9	287.4	295.0	298.7	302.8	310.2	316.2	37.3	25.1	8.4	226.3	283.2	307.0
3. Social Insurance	274.4	279.1	296.0	300.8	305.9	311.1	330.1	335.5	341.6	347.8	7.6	11.5	11.6	272.2	303.5	338.8
4. Plus: Government Transfers	386.9	391.4	401.7	404.3	407.8	411.5	426.5	430.5	433.9	438.2	7.6	4.7	6.4	387.9	406.3	432.3
5. Old Age, Survivors, etc	223.8	229.0	236.4	239.4	242.2	245.0	255.6	258.3	260.6	263.5	8.9	8.1	7.8	222.8	240.8	259.5
6. Unemployment Benefits	22.6	20.6	18.8	17.8	17.4	16.6	15.6	15.2	15.0	14.5	2.8	-30.6	-14.7	25.5	17.7	15.1
7. Veterans' Benefits	16.6	16.5	16.8	16.7	16.7	16.8	17.1	17.0	17.1	17.2	1.8	0.6	1.8	16.7	16.8	17.1
8. Employees' Retirement	59.3	59.7	62.7	63.5	64.3	65.0	68.4	69.3	70.3	71.0	7.9	9.2	9.2	58.5	63.9	69.8
9. A.F.D.C.	14.3	14.5	14.8	14.9	14.9	15.0	15.4	15.4	15.3	15.5	6.7	4.2	3.4	14.3	14.9	15.4
10. Other	50.3	51.0	52.2	52.0	52.3	53.1	54.4	55.3	55.6	56.5	6.4	4.6	5.9	50.1	52.4	55.5
11. Business Transfers	15.7	16.1	16.5	17.0	17.4	17.9	18.4	18.8	19.3	19.8	9.9	11.0	11.0	15.5	17.2	19.1
12. Interest Transfers	123.9	130.5	136.7	143.0	149.0	155.5	163.4	169.1	176.4	182.7	13.5	22.6	18.3	119.2	146.1	172.9
13. Personal Dividends	70.9	72.9	74.6	76.3	78.1	80.0	81.8	83.5	85.1	86.9	6.2	9.6	9.1	70.5	77.3	84.3
14. Equals: Personal Income	2761.9	2834.2	2899.3	2953.9	3012.9	3078.1	3139.3	3201.8	3271.8	3345.8	6.3	8.9	8.5	2741.9	2986.1	3239.7
15. Less: Personal Tax Payments	400.1	410.6	417.4	424.8	438.2	451.2	457.4	465.7	483.6	498.2	1.0	6.5	10.0	406.3	432.9	476.2
16. Equals: Disposable Personal Income	2361.7	2423.6	2481.9	2529.1	2574.7	2626.9	2681.9	2736.1	2788.2	2847.6	7.3	9.3	8.2	2335.6	2553.2	2763.5
17. Less: Consumption	2181.1	2233.1	2285.3	2327.5	2374.3	2420.7	2469.9	2519.0	2571.6	2626.1	8.4	9.0	8.3	2158.6	2351.9	2546.7
18. Less: Other Outlays	64.8	67.0	69.5	71.7	73.8	75.6	77.3	79.1	81.0	83.0	7.9	13.8	10.2	63.9	72.7	80.1
19. Equals: Personal Savings	115.8	123.5	127.1	129.9	126.6	130.6	134.7	138.0	135.6	138.5	-9.8	13.7	6.3	113.1	128.6	136.7
20. Savings Rate (%)	4.9	5.1	5.1	5.1	4.9	5.0	5.0	5.0	4.9	4.9	-	-	-	4.8	5.0	5.0

Table 5.

Georgia State University
College of Business Administration
Economic Forecasting Project
February 1984

U.S. Federal Government Activity for 1983-III and 1983-IV with Forecasts for 1984-I through 1985-IV

	1983		1984				1985				Percent Change			Annual		
	III	IV(P)	I	II	III	IV	I	II	III	IV	82-83	83-84	84-85	1983	1984	1985
1. Government Receipts	645.2	653.1e	675.3	689.4	705.3	721.8	745.2	757.7	780.0	798.9	4.2	8.5	10.4	643.3	698.0	770.5
2. Personal Tax & Non-Tax	286.9	294.3	298.2	303.2	313.9	323.9	327.0	332.3	346.6	357.7	-2.9	4.7	10.0	295.8	309.8	340.9
3. Corporate Profits Tax	66.6	63.3e	65.3	69.9	70.7	72.7	74.5	76.8	79.4	81.2	27.5	17.5	11.9	59.3	69.7	78.0
4. Indirect Business Tax	55.5	55.3	55.7	56.2	56.5	56.8	57.3	57.7	58.2	58.9	11.6	4.5	3.0	53.9	56.3	58.0
5. Contributions for Social Security	236.2	240.2	256.1	260.1	264.2	268.4	286.4	290.9	295.8	301.1	7.6	11.9	12.0	234.4	262.2	293.6
6. Government Expenditures	832.5	847.0	869.6	883.6	896.5	920.9	947.6	964.9	983.3	1008.6	8.1	8.0	9.3	826.2	892.7	976.1
7. Purchases of Goods and Services	278.1	275.6	292.6	302.9	310.2	326.2	333.4	341.5	350.3	366.0	6.4	11.9	12.9	275.2	308.0	347.8
8. Defense	201.2	206.2	215.2	220.7	226.7	239.1	246.4	254.1	262.1	274.6	11.6	12.5	15.0	200.3	225.4	259.3
9. Durables	58.5	61.3	64.7	67.3	71.1	75.6	79.3	84.1	88.7	93.2	18.5	18.5	23.8	58.8	69.7	86.3
10. Nondurables	13.7	14.0	14.4	15.0	15.4	15.6	16.1	16.5	17.0	17.6	2.9	7.1	11.3	14.1	15.1	16.8
11. Military Compensation	42.6	42.7	44.3	44.4	44.4	46.9	47.1	47.2	47.3	49.9	4.2	5.6	6.4	42.6	45.0	47.9
12. Civilian Compensation	29.3	29.4	30.5	30.6	30.7	32.3	32.5	32.7	32.8	34.6	6.2	6.2	7.1	29.2	31.0	33.2
13. Other Services	52.4	53.8	55.9	57.6	59.3	62.7	65.2	67.3	69.8	72.7	16.4	15.5	16.8	51.0	58.9	68.8
14. Structures	4.7	5.1	5.4	5.8	5.8	6.0	6.2	6.3	6.5	6.6	21.1	26.1	10.3	4.6	5.8	6.4
15. Nondefense	76.9	69.4	77.4	82.2	83.5	87.1	87.0	87.4	88.2	91.4	-5.5	10.3	7.1	74.9	82.6	88.5
16. Durables	3.1	3.4	3.5	3.6	3.8	3.8	3.9	4.0	4.1	4.1	9.7	8.8	8.1	3.4	3.7	4.0
Nondurables																
17. CCC Inventory Change	0.6	-6.9	-1.8	2.4	2.6	4.7	3.2	2.9	2.5	2.9	-	-	-	-0.8	2.0	2.9
18. Other Nondurables	7.5	6.4	7.0	7.4	7.9	7.3	7.9	8.1	8.4	8.7	-	-	-	6.6	7.4	8.3
19. Compensation	34.4	34.5	35.7	35.9	36.0	37.7	37.9	38.0	38.2	40.3	4.9	5.8	6.3	34.3	36.3	38.6
20. Other Services	24.3	25.6	26.4	26.1	26.3	26.7	27.1	27.4	27.9	28.2	10.8	6.9	4.9	24.7	26.4	27.7
21. Structures	7.1	6.4	6.6	6.8	6.9	6.9	7.0	7.0	7.1	7.2	0.0	1.5	4.4	6.7	6.8	7.1
22. Transfer Payments	343.5	347.3	356.5	358.4	361.1	363.7	377.7	381.0	383.3	386.3	7.3	4.5	6.2	344.5	359.9	382.1
23. Grants-in-Aid to State and Local Governments	87.2	86.5	86.0	86.2	86.7	86.5	86.9	87.3	87.6	88.0	3.1	-0.1	1.3	86.5	86.4	87.5
24. Net Interest Paid	101.0	105.7	110.2	114.5	119.3	125.0	132.0	136.9	143.6	149.1	13.9	21.3	19.7	96.7	117.3	140.4
25. Deficit of Government Enterprises	22.3	31.9	24.3	21.6	19.2	19.5	17.6	18.2	18.5	19.0	-	-	-	22.8	21.2	18.3
26. Federal Surplus	-187.3	-193.9e	-194.3	-194.2	-191.2	-199.1	-202.4	-207.2	-203.3	-209.7	-	-	-	-182.9	-194.7	-205.7
27. Federal Debt Held by Individuals (EOP)	994.6	1046.4	1102.1	1135.9	1183.4	1236.9	1294.1	1331.2	1382.6	1439.1	23.3	18.2	16.3	1046.4	1236.9	1439.1
28. Total Government Surplus	-131.8	-137.7e	-139.0	-138.9	-137.4	-147.3	-151.1	-157.1	-154.1	-161.8	-	-	-	-131.9	-140.7	-156.0

Table 6.

Georgia State University
College of Business Administration
Economic Forecasting Project
February 1984

Selected Economic Variables of the U.S. Economy for 1983-III and 1983-IV with Forecasts for 1984-I through 1985-IV

	1983		1984				1985				Percent Change			Annual		
	III	IV	I	II	III	IV	I	II	III	IV	82-83	83-84	84-85	1983	1984	1985
Private Economy																
1. Change in Private Hourly Wage Costs	3.6	3.9	7.6	5.4	5.9	6.1	7.3	6.4	6.6	6.9	5.4	5.5	6.5	-	-	-
2. Change in Output Per Worker Hour	2.1	-0.5	2.1	2.4	1.4	1.8	0.3	1.4	1.4	1.5	2.8	1.7	1.0	-	-	-
3. Change in Implicit Unit Labor Costs	1.5	4.5	5.4	2.9	4.4	4.2	6.9	4.9	5.2	5.3	2.6	3.7	5.2	-	-	-
4. Change in Adjusted Price Deflator	4.1	2.5	5.3	4.5	4.6	5.2	5.7	5.3	5.3	5.5	3.9	4.2	5.1	-	-	-
Prices																
5. Consumer Price Index	300.0	303.6	307.7	310.7	314.3	317.8	322.0	326.3	330.5	335.1	3.2	4.8	5.1	298.4	312.6	328.5
6. Industrial Commod. (PPI)	317.1	318.5	320.0	323.8	326.8	330.2	333.9	338.2	342.8	347.3	1.1	3.0	4.7	315.8	325.2	340.6
Corporate Economy																
7. After Tax Profit	144.1	138.2	144.1	151.3	151.3	155.6	158.7	161.8	168.3	173.6	12.6	16.2	10.0	129.6	150.6	165.6
8. Inventory Profits	18.3	8.5	9.7	18.0	15.2	17.0	20.3	23.2	25.0	25.1	16.7	53.1	56.0	9.8	15.0	23.4
9. Genuine Profits	163.4	176.0	186.9	190.2	196.6	201.6	203.1	204.1	208.2	212.0	42.6	28.7	6.8	150.6	193.8	206.9
10. Mean Closing - Dow Jones	1213.4	1251.1	1273.4	1333.9	1335.1	1276.3	1248.4	1204.4	1209.6	1153.6	34.5	8.7	-8.7	1189.8	1304.7	1204.0
11. Mean Closing - NY Composite	95.80	96.11	98.24	103.26	105.41	101.23	98.65	96.52	98.63	94.27	34.5	10.0	-4.9	92.74	102.04	97.02
Financial																
12. Monetary Base	195.6	199.2	203.0	206.8	210.4	214.1	217.8	221.5	225.6	229.6	9.1	7.6	7.2	193.8	208.6	223.6
13. Checkable Deposits	374.5	373.9	379.3	385.2	388.3	396.3	400.6	405.6	410.6	415.8	11.4	5.4	5.4	367.3	387.3	408.2
14. M1	516.4	519.1	527.5	536.5	542.5	553.3	560.6	568.7	577.0	585.7	10.9	6.3	6.1	507.8	540.0	573.0
15. Velocity of M1	6.418	6.519	6.590	6.630	6.664	6.719	6.757	6.802	6.854	6.912	-2.7	3.6	2.6	6.427	6.658	6.832
16. M2	2136.2	2173.6	2209.3	2259.5	2302.3	2358.4	2407.0	2458.3	2511.8	2567.7	12.4	8.1	8.9	2112.1	2282.5	2486.2
17. Velocity of M2	1.551	1.557	1.573	1.573	1.577	1.576	1.574	1.573	1.574	1.577	-4.1	1.9	0.0	1.545	1.575	1.575
18. Federal Funds	9.46	9.43	9.51	9.17	9.02	9.72	9.62	10.02	10.26	10.69	-25.9	3.0	8.4	9.09	9.36	10.15
19. Prime Rate	10.80	11.00	11.00	11.00	11.00	11.23	11.50	11.78	12.00	12.18	-27.4	2.5	7.3	10.79	11.06	11.87
20. 6 Month T-Bills	9.31	8.98	8.92	8.77	8.87	9.24	9.11	9.33	9.46	9.67	-21.1	2.5	4.9	8.73	8.95	9.39
21. Seasoned AAA Corp.	12.34	12.41	12.17	11.86	11.85	12.26	12.36	12.58	12.59	12.85	-12.7	0.0	4.7	12.04	12.04	12.60
22. Conventional Mortgage Rates	13.51	13.43	13.19	13.08	13.11	13.42	13.55	13.79	13.85	14.03	-19.3	-0.4	4.6	13.39	13.20	13.81
23. Savings Capital S&L	612.5	622.9	634.3	646.2	657.2	667.6	679.7	691.3	702.8	714.6	12.2	7.3	7.0	606.8	651.3	697.1
Miscellaneous																
24. Housing Starts	1791	1692	1799	1771	1721	1752	1694	1683	1667	1648	62.0	2.7	-5.0	1715	1761	1673
25. Single Family Starts	1066	1024	1074	1099	1063	1063	1054	1041	1017	993	61.0	0.7	-4.6	1068	1075	1026
26. Unit Auto Sales	9.2	9.9	10.4	10.6	10.7	10.6	10.7	10.6	10.5	10.4	15.0	15.2	0.0	9.2	10.6	10.6
27. Civilian Employment	101528	102506	103433	104252	104987	105631	106323	106954	107583	108203	1.3	3.0	3.3	100821	103826	107266
28. Unemployment Rate	9.4	8.5	8.0	7.7	7.6	7.4	7.1	7.0	6.9	6.8	-1.0	-20.1	-9.4	9.6	7.7	7.0
29. Industrial Production Index	151.8	156.0	158.6	161.1	162.7	164.3	164.6	165.4	166.4	167.3	6.6	9.5	2.6	147.7	161.7	165.9
30. Asset-Consumption Ratio	3.152	3.125	3.117	3.141	3.134	3.088	3.054	3.019	3.015	2.966	5.1	-1.0	-3.4	3.151	3.120	3.014

Table 7.

Georgia State University
College of Business Administration
Economic Forecasting Project
February 1984

U.S. Foreign Trade Accounts for 1982 and 1983 with Forecasts for 1984 and 1985

	1982	1983	1984	1985	Percent Change 82-83	83-84	84-85
Exports of U.S. Merchandise	212193	200486	206120	218518	-5.5	2.8	6.0
Food & Live Animals	23950	24166	24238	25145	0.9	0.3	3.7
Beverages & Tobacco	3026	2813	2793	2900	-7.0	-0.7	3.8
Crude Materials	19248	18596	18575	19913	-3.4	-0.1	7.2
Mineral Fuels	12729	9500	9355	9848	-25.4	-1.5	5.3
Animal & Vegetable Oils	1541	1459	1470	1468	-5.3	0.8	-0.1
Chemicals	19891	19751	21706	24310	-0.7	9.9	12.0
Manufactured Goods	16739	14852	15048	15770	-11.3	1.3	4.8
Machinery, Trans. Equipment	87128	82562	85868	90378	-5.2	4.0	5.3
Miscellaneous Manufacturing	15959	15243	15463	16008	-4.5	1.4	3.5
Commodities, n.e.c.	6866	6975	6390	6930	1.6	-8.4	8.5
Re-exports	5117	4568	5216	5848	-10.7	14.2	12.1
Imports of Merchandise	243952	258044	299953	324823	5.8	16.2	8.3
Food & Live Animals	14453	15412	16165	17398	6.6	4.9	7.5
Beverages & Tobacco	3364	3408	3799	4035	8.3	11.5	6.2
Crude Materials	8589	9590	11840	13190	11.7	23.5	11.4
Mineral Fuels	65409	57952	64683	65661	-11.4	11.6	1.5
Animal & Vegetable Oils	406	495	739	720	21.9	49.3	-2.6
Chemicals	9494	10779	12973	15080	13.5	20.4	16.2
Manufactured Goods	33148	34833	39575	44018	5.1	13.6	11.2
Machinery, Trans. Equip.	73220	86131	107068	116535	17.5	24.3	8.8
Misc. Manufacturing	28061	31702	35853	40160	13.0	13.1	12.0
Commodities, n.e.c.	7708	7742	7260	8026	0.4	-6.2	10.6
Balance of Payments Accounts							
Total Exports	348324	334885	360460	392248	-3.9	17.6	8.8
Merchandise	211217	199734	205563	217823	-5.4	2.9	6.0
Reinvestment	5323	10499	14770	17160	97.2	40.7	16.2
Other Investment	78823	68254	80065	92740	-13.4	17.3	15.8
Other Goods & Services	52961	56408	60063	64525	6.5	6.5	7.4
Total Imports	351502	367323	424248	464313	4.5	15.5	9.4
Merchandise	247606	261903	301400	325975	-5.8	15.1	8.2
Reinvestment	-164	1689	4098	4390	-	-	-
Other Investment	57006	52792	63593	74920	-7.4	20.5	17.8
Other Goods & Services	47054	50939	55158	59028	8.3	8.3	7.0
Current Account Balance	-11211	-40007	-72213	-81090	-	-	-

Table 8.

Georgia State University
College of Business Administration
Economic Forecasting Project
February 1984

Implicit Price Deflators for Personal Consumption Expenditures for 1983-III and 1983-IV with Forecasts for 1984-I through 1985-IV

	1983		1984				1985				Percent Change			Annual		
	III	IV(P)	I	II	III	IV	I	II	III	IV	82-83	83-84	84-85	1983	1984	1985
Durable Goods	179.1	180.4	181.9	183.1	185.0	186.7	188.8	190.6	192.6	194.7	2.2	3.1	4.1	178.6	184.2	191.7
% Change	3.7	2.8	3.3	2.7	4.3	3.8	4.5	3.8	4.3	4.5						
Automobiles	196.4	198.4	200.5	202.5	205.1	207.0	209.7	211.8	214.4	217.1	2.4	4.1	4.7	195.8	203.8	213.3
% Change	5.7	4.1	4.4	4.0	5.3	3.8	5.3	4.1	4.9	5.2						
Furniture	157.9	158.5	159.2	160.1	161.1	162.3	163.3	164.6	166.0	167.4	1.0	1.7	2.9	158.0	160.7	165.3
% Change	0.8	1.5	1.8	2.3	2.5	3.1	2.6	3.2	3.5	3.4						
Other Durables	187.3	187.3	187.1	188.0	190.2	193.4	195.8	198.5	201.1	203.6	2.4	2.2	5.3	185.7	189.7	199.8
% Change	6.9	0.0	-0.5	1.9	4.7	6.8	5.1	5.7	5.3	5.0						
Nondurables	215.5	215.5	218.8	220.3	222.7	224.9	227.5	230.1	233.0	235.6	2.3	3.7	4.5	213.8	221.7	231.6
% Change	4.1	0.0	6.3	2.8	4.4	4.0	4.8	4.7	5.1	4.5						
Food	220.9	222.4	226.0	228.6	232.1	235.2	238.1	241.1	244.3	247.2	2.4	4.3	5.3	220.9	230.5	242.7
% Change	-1.3	2.7	6.6	4.7	6.2	5.5	5.0	5.2	5.3	4.9						
Apparel	145.3	145.3	146.1	147.0	148.2	149.5	150.8	152.2	153.7	155.2	1.9	2.7	3.6	143.8	147.7	153.0
% Change	6.9	0.0	2.1	2.4	3.3	3.6	3.5	3.9	3.8	4.0						
Gasoline & Oil	354.2	354.2	356.7	354.4	357.2	360.4	364.0	368.0	372.8	377.5	-3.2	3.3	3.8	345.8	357.2	370.6
% Change	12.7	0.0	2.9	-2.6	3.3	3.6	4.1	4.5	5.3	5.1						
Fuel Oil	529.9	538.1	576.0	589.4	576.7	580.8	589.6	596.4	605.6	614.5	-6.1	9.3	3.6	531.2	580.7	601.5
% Change	9.3	6.3	31.3	9.6	-8.3	2.9	6.2	4.7	6.3	6.0						
Other Nondurables	215.5	216.8	218.6	220.5	222.4	224.5	227.0	229.7	232.7	235.9	6.9	3.4	4.4	214.3	221.5	231.3
% Change	4.0	2.4	3.3	3.6	3.5	3.9	4.4	4.8	5.3	5.6						
Services	225.7	229.1	232.4	235.4	238.3	241.6	245.2	249.0	252.8	256.9	6.1	5.5	6.0	224.5	236.9	251.0
% Change	4.7	6.2	5.9	5.2	5.0	5.7	6.2	6.3	6.2	6.6						
Housing	207.4	209.8	212.1	214.5	216.9	219.4	222.0	224.6	227.4	230.3	5.7	4.6	4.8	206.2	215.7	226.1
% Change	5.0	4.7	4.5	4.6	4.6	4.7	4.9	4.8	5.0	5.2						
Electricity & Gas	327.7	334.6	342.4	349.2	354.6	360.8	367.9	375.6	382.9	391.7	7.4	6.9	7.9	329.0	351.8	379.5
% Change	-3.1	8.7	9.7	8.2	6.3	7.2	8.1	8.6	8.0	9.6						
Household Operations	186.4	187.9	190.5	192.8	194.8	197.0	200.5	203.5	205.9	208.8	5.8	4.1	5.6	186.1	193.8	204.7
% Change	1.7	3.3	5.6	4.9	4.3	4.6	7.3	6.2	4.7	5.8						
Transportation	233.4	240.0	244.4	248.4	252.2	256.4	261.2	266.6	271.8	277.7	7.2	8.4	7.5	230.9	250.4	269.3
% Change	14.8	11.8	7.6	6.7	6.3	6.8	7.7	8.5	8.1	8.9						
Other Services	235.0	238.6	242.2	245.5	248.8	252.5	256.5	260.6	265.0	269.6	6.1	5.8	6.3	233.7	247.3	262.9
% Change	4.6	6.3	6.1	5.6	5.5	6.1	6.4	6.6	6.9	7.1						
Personal Consumption Expenditures	214.7	216.3	219.2	221.3	223.8	226.5	229.5	232.5	235.7	239.0	4.0	4.4	5.2	213.4	222.7	234.2
% Change	4.2	3.1	5.5	3.9	4.6	4.9	5.4	5.3	5.7	5.7						
Consumer Price Index	300.0	303.6	307.7	310.7	314.3	317.8	322.0	326.3	330.5	335.1	4.2	4.8	5.1	298.4	312.6	328.5
% Change	4.7	4.8	5.7	4.0	4.7	4.5	5.4	5.5	5.3	5.7						

Table 9.

Georgia State University
College of Business Administration
Economic Forecasting Project
February 1984

Implicit Price Deflators with Annual Percentage Changes for 1983-III and 1983-IV with Forecasts for 1984-I through 1985-IV

	1983		1984				1985				Percent Change			Annual		
	III	IV(P)	I	II	III	IV	I	II	III	IV	82-83	83-84	84-85	1983	1984	1985
GNP Deflator	216.44	218.53	221.73	224.04	226.56	229.73	232.71	235.78	239.06	242.74	4.2	4.6	5.3	215.63	225.52	237.57
% Change	3.6	3.9	6.0	4.2	4.6	5.7	5.3	5.4	5.7	6.3						
Personal Cons. Exp.	214.7	216.3	219.2	221.3	223.8	226.5	229.5	232.5	235.7	239.0	4.0	4.4	5.2	213.4	222.7	234.2
% Change	4.2	3.1	5.5	3.9	4.6	4.9	5.4	5.3	5.7	5.7						
Private Domestic Investment	217.2	218.5	219.9	222.0	224.5	227.3	229.8	232.7	235.7	238.8	1.3	3.5	4.9	215.8	223.4	234.3
% Change	5.9	2.4	2.6	3.9	4.6	5.0	4.6	5.1	5.3	5.4						
Structures	263.7	264.5	265.8	268.0	271.1	274.6	278.3	282.5	287.0	291.6	-0.7	2.2	5.6	264.0	269.9	284.9
% Change	0.0	1.3	2.0	3.4	4.7	5.3	5.4	6.2	6.5	6.6						
Producers' Durables	182.7	184.9	186.9	189.0	191.2	193.4	195.7	198.1	200.4	202.8	-0.1	3.9	4.8	182.9	190.1	199.3
% Change	1.3	4.8	4.3	4.5	4.9	4.7	4.9	5.0	4.7	5.0						
Residential Structures	249.0	251.2	253.1	255.5	258.5	261.9	265.1	268.6	272.4	276.0	3.0	4.0	5.1	247.4	257.3	270.5
% Change	8.6	3.6	3.0	3.9	4.8	5.3	5.0	5.4	5.7	5.5						
Exports	242.5	246.0	248.2	249.8	252.6	255.1	257.8	260.8	264.0	267.4	2.4	4.0	4.4	241.7	251.4	262.5
% Change	3.9	6.0	3.6	2.6	4.5	4.0	4.3	4.7	5.0	5.2						
Imports	278.1	274.0	273.1	274.9	278.4	282.2	285.9	289.9	294.2	298.7	-2.4	1.8	5.4	272.3	277.2	292.2
%Change	11.3	-5.8	-1.3	2.6	5.3	5.5	5.3	5.7	6.1	6.3						
Federal	233.8	235.8	241.6	244.5	246.3	253.9	256.8	259.8	262.8	270.6	5.1	5.7	6.4	233.3	246.6	262.5
% Change	1.9	3.4	10.1	4.8	2.9	13.0	4.7	4.8	4.7	12.5						
Federal Purchases	252.4	255.7	259.3	263.0	265.6	270.2	274.3	278.3	282.6	287.0	4.6	5.1	6.1	251.6	264.5	280.6
% Change	2.2	5.3	5.7	5.8	4.1	7.2	6.1	6.0	6.3	6.4						
Federal Value Added	209.0	209.7	217.1	217.9	217.8	229.2	229.9	230.7	231.1	243.8	4.1	5.7	6.1	208.7	220.5	233.9
% Change	1.2	1.3	14.9	1.4	-0.1	22.7	1.3	1.4	0.6	23.8						
State & Local	238.3	241.6	245.1	249.4	253.7	257.8	262.2	266.5	271.4	275.9	6.2	6.3	7.0	236.6	251.5	269.0
% Change	6.1	5.6	5.9	7.1	7.0	6.7	7.0	6.7	7.6	6.9						
State & Local Purchases	249.8	252.0	254.2	258.1	261.5	265.2	269.1	273.2	277.2	281.4	3.3	4.5	5.9	248.7	259.8	275.2
% Change	4.2	3.7	3.5	6.2	5.5	5.7	6.0	6.3	6.0	6.2						
State & Local Value Added	230.6	234.6	238.9	243.3	248.3	252.6	257.3	261.7	267.3	271.9	8.2	7.5	7.6	228.6	245.8	264.6
% Change	7.4	7.1	7.6	7.6	8.5	7.1	7.7	7.0	8.8	7.1						

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STRONG CREDIT GROWTH CREATES UNCERTAINTY ABOUT EXPANSION'S SUSTAINABILITY

Dr. Donald Ratajczak, Director
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COMMENTARY

Recent Activity

When the preliminary 8.3% increase in GNP was announced for the first quarter, information was not yet available for March construction, international trade, or business inventories. Expenditures for imports appear to be almost $8 billion above preliminary estimates, requiring a significant downward revision in first quarter net exports. In the forecast for second quarter activity, net exports were aligned with their trade associated estimates. The purpose of this adjustment is to insure that the level of GNP in the second quarter reflects the post-adjusted data, although the adjustment will reduce second quarter growth rates relative to final estimates by nearly a percentage point.

Of course, construction was expected to decline because of a sharp reduction in housing starts while inventories were expected to grow much more slowly than the record February increase. In fact, construction in March showed a further increase while manufacturing inventories rose a continuing strong 1.2% in March. It now appears that first quarter GNP will not be revised downward significantly. Therefore, second quarter GNP could increase by more than 4 %.

Two factors are lowering second quarter GNP gains, however. First, heavy animal slaughters in the winter months led to an unusually strong 0.6% contribution to GNP growth from the agricultural sector. Comparable contributions are not anticipated in the second quarter. Second, some automobile manufacturers are redesigning their intermediate production lines during the second quarter. This will shut down their assembly plants, leading to reduced production and increased unemployment in the transportation equipment industry. This is only a temporary adjustment and all these workers are expected to be rehired by the fall. As the workers received paychecks during the survey week in April, employment statistics did not reflect the reduction in this activity, although many plants already had been taken out of production. Any economic weakness that is generated in the second quarter as a result of these automobile changeovers will merely translate economic strength into the latter part of this year.

Notwithstanding those adjustments, the Employment Situation for April was an unusually strong report. Although the unemployment rate showed no change, the index of hours worked spurted to 111.5. At this level, hours in the private economy already are 5% above first quarter levels at annual rates. Wage gains should be exceptionally strong in the April personal income report as a result of this surge in hours. Offsetting that strength in personal income, however, will be an anticipated $16 billion decline in farm income as a result of termination of PIK disbursements. Even with this decline in farm income, the

savings rate is expected to remain at an unusually high 6.7% in April. Although consumer support for the economy clearly is ebbing, these high savings rates almost certainly will stimulate further consumer spending in the latter part of 1984.

Strong gains in factory orders suggest that activity will remain strong through the remainder of this year. Although orders for nondefense capital goods slowed in March, they remain more than $2 billion per month above shipments. Thus, continued growth in spending for capital goods is anticipated. Moreover, spending appears to be developing for structures other than electrical utilities. Even the oil service industry is beginning to show some strength following two years of significant recession. Thus, capital spending is expected to approach, if not exceed, the 13% anticipated gains contained in the latest Department of Commerce surveys. With prices for capital goods increasing at less than a 3% annual rate, this means real capital spending will rise by almost 11%.

This substantial strength in economic activity has not yet generated substantial inflationary pressures. First, wage rates continue to grow at very moderate rates. Despite an unusual one month spurt in wages for services, the hourly earnings index remains only 3.6% above previous year levels. In the latest three months, that index has been growing at a 3.3% annual rate. While three significant bargaining sessions could alter this wage trend, beginning with the Postal Workers in the summer, followed by U.A.W. in September and then U.M.W. in October, no significant acceleration in wages is anticipated before one of these bellwether union negotiations creates a change in trend.

Second, productivity remains reasonably robust. Some commentators have complained about the 2.6% increase in productivity in the private business economy during the first quarter of 1983, but these gains are acceptable in the context of a fifth quarter of economic expansion. Combining the wage pressures with productivity gains leads to estimates of unit labor costs for 1984 that do not significantly exceed 4%.

Third, the dollar continues to hold its value as foreign investors cannot find any significant alternative sources of liquidity in the world capital markets. The Japanese markets eventually may become sufficiently fluid to provide investors with alternatives to the dollar, but problems in Germany's labor sector have substantially precluded that country from providing alternative liquidity instruments. Eventually the dollar must begin declining under the weight of dramatically negative foreign investment balances (as shown in Table 7), but no significant decline is anticipated before 1985.

Fourth, there is little evidence in the absence of a decline in the dollar that raw materials prices will increase dramatically in the months ahead. Except for a one-time problem in pork production during the summer months, agricultural production should be sufficient to ample. By the end of 1984 food inflation once again should be trailing general inflationary pressures. Demand for energy is beginning to intensify, but OPEC production remains below desired levels for many of the OPEC countries. It is unlikely that production will exceed desired levels until late in 1985. Therefore. no change in world oil prices is anticipated before that time.

All these factors suggest that any intensifying inflationary pressures will remain moderate. While domestic capacity utilization is high, approaching a level where demand oriented price increases can be triggered, the availability

of foreign suppliers remains significant. Thus, domestic capacity measures are not relevant measures for price pressures in most industries at the present time.

Although rapidly rising inflation is not an anticipated side-effect of strong economic growth, significantly rising interest rates are. In this second year of economic expansion, the composition of GNP is shifting away from one that significantly raises savings in the form of internally generated funds at corporations and toward a greater share of income going to wage and interest recipients. Also, the composition of spending is shifting toward significant uses of funds. The engines of growth in this second year are inventory investments, fixed investments, and housing activity. Housing eventually will be squeezed out of the picture, but this will require a significant increase in effective interest rates. A significant decline in federal borrowing could prevent a decline in housing activity late in 1984 and early 1985. However, our analysis in Table 5 shows no substantial changes in government deficits.

It now appears that the prime interest rate will rise by a least two percentage points in the next year. Long-term interest rates are expected to rise by 1.5 percentage points in the next year. Fortunately, these unusually high interest rates will limit the degree to which inventories are accumulated for speculative purposes. To that extent, the ultimate reaction to these rising interest rates will be borne almost exclusively by declining housing activity, with some secondary slowing in purchases of consumer durables. As a result, any significant economic slowing late in 1985 may not be sufficient to qualify as a recession. Activity may more closely correspond to the 1966-1967 period, when declining housing activity bore the brunt of an economic slowing. Nevertheless, current economic strength is generating significant upward pressures on interest rates that almost certainly will necessitate some slowing in the growth of economic activity late in 1985.

Recent Performance

Economic activity was much stronger than anticipated during the first quarter, as inventory investment completely changed from previous performance. Through the second half of 1983, little change occurred in inventory investment despite dramatic increases in final sales. As a result, inventory stocks were more than $20 billion in real terms below what normally would have been predicted for that level of sales activity. This failure of inventories to respond to developing sales led to the conclusion that a fundamental change had occurred in the inventory investment relationship. Better communications between suppliers and producers and better inventory controls suggested that lower inventories could be maintained against a given production schedule without suffering any risk of lost orders or reduced production because of lack of resources. Only the wholesaler maintained normal relationships between shipments and inventories.

In the first quarter, however, inventories surged at the manufacturing and retail levels. Apparently, activity had approached sufficiently high utilization of productive resources to raise the issue of supply availability. In effect, retailers and manufacturers may have been trying to encourage inventory holdings at the supplier or distributor levels to reduce their own financing pressures. This worked as long as suppliers or distributors could receive rapid delivery on their orders. Once delivery delays intensified, however, this strategy of using others to finance your own inventories began to

create problems. If this analysis is correct, there was no significant shift in the secular relationship between inventories and sales but only a cyclical shift in the timing of inventory accumulation. We have not yet adjusted our inventory procedures to reflect this possible interpretation of inventory behavior. As a result, inventory accumulations could be underestimated during the second quarter. If such errors begin to be realized, adjustment then will be incorporated into our procedures for all subsequent quarters.

Government purchases fell sharply below anticipations, but this merely reflected a transfer of commodities from the Commodity Credit Corporation to farm inventories. The absence of any further PIK disbursements in the second quarter will cause a significant surge in federal purchases of goods and services. While this shift in activity has an apparent effect upon government use of resources, it really is an offset in the GNP accounts. Inventory reductions in the Commodity Credit Corporation are offset by inventory increases in the farm investment sector. Moreover, the shift in government purchases has little effect upon the government deficit as the disbursement of PIK crops is largely offset by rising subsidies of government enterprises.

The inflation rate also was less than anticipated in the first quarter of 1984. Some of this differential is the result of composition changes, where significant increases in inventory accumulations led to lower gains in the GNP deflator than would have occurred in the absence of such growth in inventories. However, the CPI also showed a smaller rate of increase than had been projected. Continuing weakness in energy prices was responsible for this forecast error, as electricity and natural gas showed smaller increases than had been expected. This apparently is a one-time adjustment caused by unusually strong usage during the winter months and should not reflect a significant slowing trend in those price categories. For that reason, no significant adjustments were made to the inflation estimating procedure and no significant changes are anticipated in inflation estimates for the remainder of 1984.

Personal savings were higher than anticipated, but this almost totally reflects PIK disbursements in the farm sector. One-time farm crop programs generally add to the savings rate when they occur. However, slower consumer support for the economy than originally anticipated is leading to higher estimates of personal savings in subsequent quarters than originally had been projected. The reason for increased savings appears to be the deterioration in household portfolio values as a result of weakness in the stock and bond markets. The asset-consumption ratio, that surged to almost 3.2 in the middle of 1983, is expected to fall below the 3.0 norm before the end of 1984. Declines in this ratio normally lead to higher savings rates than otherwise would occur.

Equities performed more poorly than anticipated, largely because interest rates rose more significantly than had been expected. Although the equity markets overadjusted for current changes in interest rates, projected slowing in the growth of corporate earnings in 1985 suggests that no significant gains are likely in the equity markets over the next year. Nevertheless, any slowing in the rise in interest rates still could lead to a summer rally that raises equity values toward previous peaks. Such a performance is expected to be shortlived, however.

Higher interest rates than anticipated were caused by stronger credit market pressures from the housing market and inventory accumulations than had previously been anticipated. The reason for stronger inventory investments has

already been discussed. Apparently, the strength in the housing market is the result of deep discounting in adjustable-rate mortgages to attract homebuyers to that form of financing. In effect, the discounted ARM is currently reducing the sensitivity of housing purchases to rising interest rates. This reduced interest sensitivity can only lead to higher rates than otherwise would prevail.

However, the ARM concessions only raise the threshold rate of interest above which housing begin to deteriorate significantly. Such a deterioration now is anticipated for the latter part of 1984 and in 1985.

On balance, our forecasting performance would have been reasonably accurate if the shift in inventory sentiment could have been anticipated. The inventory investment procedure has not yet been adjusted to reflect the hypothesis that the timing of inventory investments has been altered over the cycle but the magnitude of inventory investment relative to production has not been fundamentally altered by recent inventory investment behavior. Perhaps, economic events in the second quarter will necessitate such an adjustment in the next forecast.

Assumptions

Budgetary and monetary assumptions are contained in Tables 5 and 6. Economic activity is increasing government receipts above those projected by the administration in their budget projections for FY 1985 and FY 1986. On the other hand, interest payments are rising much more sharply than the administration had expected. Moreover, our estimates suggest that declining unemployment compensation will slow more sharply than contained in the administration's projections. As a result, estimated deficits on the cash basis used in the budget are approximately $174 billion in the current fiscal year, followed by $178 billion the next fiscal year.

Some explicit assumptions are as follows:

a) Social Security taxes are expected to be 7.05% for both employer and employee on a wage base of $40,500 in 1985. In 1986, Social Security will be 7.15% for both employer and employee on a projected wage base of $43,800.

b) Military and civilian pay were expected to remain on a calendar year basis in the next two years. Wage increases were assumed to be 5% for all civilians and 5.6% for military in 1985. Increases were then projected to be 6.5% for both military and civilian workers in 1986. Federal payrolls are expected to increase by 15,000 over the next eight quarters.

c) Excise taxes were maintained on telephones and reduced on tobacco products to 12¢ per package in 1985. The Post Office is expected to increase stamp values to 23¢ for first class mail in April 1985. Income averaging provisions are expected to become less favorable, leading to a $1.7 billion increase in personal income tax collections from a given tax base in 1985.

d) Oil prices are expected to remain at $29 in the world market through 1985. The price is then expected to increase to $31 per barrel early in 1986.

e) A strike of less than one month duration was assumed for the United Mine Workers in October. No strikes were anticipated for Postal Workers or for the U.A.W. when their contract expires in September.

f) Federal Reserve targets are expected to be maintained through 1985 before tightening slightly in 1986. The Federal Reserve is expected to gradually look toward achieving money growth in the lower range of those targets. As a result, the Federal Reserve is expected to continue a policy of less than full accomodation for the economy.

g) World trade is expected to grow 3.5% in 1984 and 4.5% in 1985. Because of a strong dollar, the U.S. share of world trade is expected to fall slightly in 1984 before rebounding slightly in 1985.

Conclusion and Summary

Economic activity remains stronger than almost everyone anticipated at this stage of the business cycle. Moreover, the composition of activity is shifting toward inventory accumulations, housing activity, and fixed investment. These use significant credit. Therefore, interest rates are expected to rise significantly well into 1985. Only after a reduction in housing activity is generated by these rising rates will any interest rate relief materialize. By that time, long-term interest rates will be more than 1.5 percentage points above current levels while short-term interest rates will rise by more than two percentage points.

Although the economic expansion appears to be sufficiently robust to withstand even the downtrend in housing activity that is expected to materialize in 1985, gains in corporate profitability will slow significantly as the year progresses. Therefore, the stock market will have difficulty regaining previous highs. Our eight-quarter projection shows a relatively narrow range of equity values between 1100 and 1250 but with a high degree of variability in the next several quarters.

Inflation will intensify, but forecasts of double-digit inflation around the corner are greatly exaggerated. Wage demands continue to show significant moderation. By the end of this year wages still will only be growing slightly more than 5%. Productivity is showing a slowing trend, as normally occurs at this stage of the cycle, but gains are sufficiently robust to insure that labor costs per unit of production will remain near 4%. An acceleration to the vicinity of 6% is possible in 1985, but no acceleration beyond that level seems likely. In the absence of surging prices for raw materials or a collapsing dollar, both of which are showing only faint signs of materializing, a return to double-digit inflation can be ruled out.

Investment opportunities are difficult to gauge in an economy that is faced with substantial increases in interest rates. While a summer rally is a distinct possibility, equity values are not expected to exceed summer highs for a year beyond that. Interest rates are expected to continue trending upward sufficiently to create capital losses from the change in bond values to offset enhanced yields. Only in the latter half of 1985 will the capital risk be sufficiently low relative to prevailing yields to encourage significant bond market investments. The prudent investor probably would maintain equity positions but gradually reduce bond positions until late in the summer. At that time, both positions should be gradually liquidated as investors move toward short-term returns. Only in the latter part of 1985 will opportunities be beneficial in longer term investments.

In summary, the economy currently is sufficiently strong to generate increasing activity well into 1985. However, this strong activity is creating

earlier and more intense interest rate pressures than normally would develop in this phase of the business cycle. Before the end of 1984, these rising interest rates will begin to generate reduced activity in housing markets. A movement toward a slow growth economy with some acceleration of inflationary pressures then seems likely late in 1985. Any movement toward reducing government deficits could moderate upward pressures upon interest rates, but our assumptions are based upon activity currently progressing through the Congress. Those assumptions do not lead to any substantial optimism on deficit reductions. Therefore, robust economic gains in 1984 will give way to an economic stagnation with gradually rising inflationary pressures in 1985.

Table 1.

Georgia State University
College of Business Administration
Economic Forecasting Project
May 1984

U.S. Expenditures for 1984-IV and 1984-I with Forecasts for 1984-II through 1986-I

	1983	1984				1985				1986	Percent Change			Annual		
	IV	I	II	III	IV	I	II	III	IV	I	82-83	83-84	84-85	1983	1984	1985
1. Personal Consumption Expenditures	2230.9	2280.5	2321.2	2366.9	2413.1	2463.3	2511.7	2565.1	2618.7	2670.0	8.3	8.7	8.3	2158.0	2345.4	2539.7
2. Autos and Parts	145.6	150.9	152.4	156.2	159.4	163.9	165.8	170.4	174.9	176.6	21.4	16.0	9.1	133.4	154.7	168.8
3. Other Durable Goods	153.0	159.4	159.6	161.4	164.0	166.6	169.4	172.2	174.7	177.4	8.5	10.3	6.0	146.0	161.1	170.7
4. Nondurable Goods	825.0	844.4	854.4	868.3	883.1	898.8	915.2	932.4	949.7	967.0	5.7	7.3	7.1	804.1	862.6	924.0
5. Services	1107.3	1125.8	1154.8	1181.0	1206.6	1234.0	1261.3	1290.1	1319.4	1349.0	8.9	8.6	9.3	1074.5	1167.1	1276.2
6. Gross Private Domestic Investment	532.5	595.3	592.2	606.3	612.3	625.0	639.5	640.8	636.3	629.7	13.9	27.5	5.6	471.9	601.5	635.4
7. Residential Structures	138.8	148.9	150.1	147.9	145.5	145.7	145.2	139.8	131.6	129.0	43.2	13.9	-5.1	130.0	148.1	140.6
8. Other Structures	133.3	140.3	143.1	148.3	153.0	157.8	162.5	167.3	171.1	174.8	-7.6	11.5	12.7	131.1	146.2	164.7
9. Producers' Durables	240.7	243.9	248.7	255.9	263.0	270.6	277.4	284.6	291.3	297.1	5.2	16.4	11.1	217.2	252.9	281.0
10. Change in Inventories	19.6	62.2	50.3	54.2	50.8	50.9	54.4	49.1	42.3	28.8	-	-	-	-6.4	54.4	49.2
11. Net Export of Goods and Services	-26.1	-45.2	-56.9	-65.9	-63.6	-59.3	-59.8	-64.2	-58.2	-50.9	-	-	-	-9.0	-57.9	-60.4
12. Exports	346.5	357.7	364.0	372.4	380.7	392.4	401.7	413.4	427.1	441.8	-3.5	9.9	10.8	335.4	368.7	408.7
13. Imports	372.6	402.9	420.9	438.3	444.3	451.7	461.5	477.6	485.3	492.7	4.3	23.9	9.9	344.4	426.6	469.0
14. Government Purchases of Goods and Services	699.0	710.6	746.1	767.9	787.3	809.9	829.6	849.6	868.1	893.5	6.2	9.2	11.5	689.5	753.0	839.3
15. Federal	274.1	275.0	299.4	310.6	319.9	331.6	340.5	349.3	356.6	371.4	6.2	9.6	14.4	274.8	301.2	344.5
16. National Defense	206.3	216.2	221.6	227.6	234.3	244.7	252.2	259.7	266.2	277.0	11.6	12.3	13.7	200.3	224.9	255.7
17. Other, including NASA	67.8	58.8	77.8	83.0	85.6	86.9	88.3	89.6	90.4	94.4	-6.0	2.4	16.4	74.5	76.3	88.8
18. State and Local	424.9	435.6	446.7	457.3	467.4	478.3	489.1	500.3	511.5	522.1	6.2	8.9	9.5	414.7	451.8	494.8
19. Gross National Product	3436.2	3541.2	3602.6	3675.2	3749.1	3838.9	3921.0	3991.3	4064.9	4142.3	-	-	-	3310.5	3642.0	3954.0
20. Amount of Change	74.0	105.0	61.4	72.6	73.9	89.8	82.1	70.3	73.6	77.4	-	-	-	237.5	331.5	312.0
21. % Change*	9.1	12.8	7.1	8.3	8.3	9.9	8.8	7.4	7.6	7.8	-	-	-	7.7	10.0	8.6
22. % Real Change*	5.0	8.3	2.3	2.8	3.1	3.8	3.3	1.7	1.9	1.4	-	-	-	3.4	5.5	3.0
23. % Price Change*	3.9	4.1	4.7	5.4	5.0	5.9	5.4	5.6	5.6	6.3	-	-	-	4.2	4.3	5.4
24. Implicit Price Deflator	218.53	220.73	223.29	226.25	229.04	232.34	235.41	238.61	241.87	245.62	-	-	-	215.63	224.83	237.06
25. Change in Final Sales	62.9	62.4	73.3	68.7	77.3	89.7	78.6	75.6	80.4	90.9	-	-	-	219.4	270.7	317.2
26. GNP in 1972 Dollars	1572.5	1604.3	1613.4	1624.4	1636.9	1652.3	1665.6	1672.7	1680.6	1686.5	-	-	-	1535.3	1619.8	1667.8

* Annual Rate
(P) Preliminary

Table 2.

Georgia State University
College of Business Administration
Economic Forecasting Project
May 1984

U.S. Real Expenditures for 1983-IV and 1984-I with Forecasts for 1984-II through 1986-I

	1983	1984				1985				1986	Percent Change			Annual		
	IV	I	II	III	IV	I	II	III	IV	I	82-83	83-84	84-85	1983	1984	1985
1. Personal Consumption	1032.2	1046.8	1054.9	1061.7	1069.5	1078.5	1085.7	1094.7	1102.6	1108.7	4.2	4.5	3.0	1011.4	1058.2	1090.4
2. Durable Goods	165.2	171.9	171.8	173.4	174.8	176.7	177.5	179.5	181.0	181.3	11.8	10.7	3.3	156.3	173.0	178.7
3. Nondurable Goods	382.5	388.0	390.3	391.0	393.4	396.1	398.5	401.2	403.6	405.6	3.3	3.9	2.4	376.1	390.7	399.9
4. Services	484.4	486.9	492.8	497.3	501.3	505.7	509.7	514.0	518.0	521.8	2.7	3.1	3.5	479.9	494.6	511.9
5. Gross Private Domestic Investment	245.2	272.2	268.5	271.7	272.0	274.5	277.4	274.3	269.2	264.1	12.6	23.8	1.0	219.0	271.1	273.9
6. Residential Structures	55.8	59.7	60.0	58.7	57.5	57.1	56.4	53.8	50.2	48.7	39.4	12.0	-7.8	52.7	59.0	54.4
7. Other Structures	50.4	53.4	54.2	55.7	57.0	58.1	59.0	59.8	60.3	60.6	-6.9	10.9	7.6	49.7	55.1	59.3
8. Producers' Durables	130.3	132.5	134.2	136.9	139.5	142.1	144.1	146.1	147.5	148.5	5.3	14.3	6.8	118.8	135.8	145.0
9. Change in Inventories	8.7	26.6	20.1	20.4	18.0	17.2	17.9	14.6	11.2	6.3	-	-	-	-2.1	21.3	15.2
10. Net Export of Goods and Services	2.8	-6.5	-11.6	-15.2	-14.2	-12.5	-12.4	-14.0	-10.8	-7.7	-	-	-	11.8	-11.8	-12.3
11. Exports	140.6	143.9	145.2	147.1	148.8	151.3	152.7	154.8	157.5	160.2	-5.8	5.5	5.3	138.7	146.3	154.1
12. Imports	137.8	150.4	156.8	162.3	163.0	163.8	165.1	168.3	168.3	167.9	7.2	24.5	5.2	126.9	158.1	166.4
13. Government Purchases of Goods & Services	292.3	291.7	301.6	306.2	309.6	311.8	314.9	317.7	319.6	321.4	0.5	3.1	4.5	293.1	302.3	316.0
14. Federal	116.4	114.4	122.7	125.9	128.3	129.4	131.5	133.2	134.3	135.5	1.1	4.2	7.6	117.8	122.8	132.1
15. State & Local	175.9	177.3	178.9	180.3	181.3	182.4	183.4	184.5	185.3	185.9	0.0	2.4	2.5	175.3	179.5	183.9
16. Gross National Product	1572.5	1604.3	1613.4	1624.4	1636.9	1652.3	1665.6	1672.7	1680.6	1686.5	3.4	5.5	3.0	1535.3	1619.8	1667.8
17. Final Demand	1563.7	1577.7	1593.3	1604.0	1618.9	1635.1	1647.7	1658.1	1669.4	1680.2	2.8	4.0	3.4	1537.4	1598.5	1652.6
18. Private Domestic Product	1394.9	1427.0	1436.0	1446.7	1458.7	1472.7	1485.0	1491.2	1498.0	1502.5	4.0	6.2	3.1	1357.9	1442.1	1486.7

Table 3.

Georgia State University
College of Business Administration
Economic Forecasting Project
May 1984

Income Related U.S. GNP Components for 1983-IV and 1984-I with Forecasts for 1984-II through 1986-I

	1983	1984				1985				1986	Percent Change			Annual		
	IV	I	II	III	IV	I	II	III	IV	I	82-83	83-84	84-85	1983	1984	1985
1. Compensation of Employees	2056.6	2113.0	2152.0	2190.0	2229.3	2282.8	2328.1	2372.4	2415.2	2467.9	6.7	9.1	8.2	1990.2	2171.1	2349.6
2. Wage and Salary	1717.3	1756.2	1786.3	1815.7	1846.1	1884.1	1920.0	1954.9	1988.2	2026.9	6.2	8.2	7.5	1664.6	1801.1	1936.8
3. Manufacturing	419.0	432.8	440.3	448.3	456.3	465.3	474.2	483.8	492.6	501.6	5.0	10.3	7.8	402.8	444.4	479.0
4. Other Commodity-Producing	131.0	134.3	138.1	140.1	141.7	143.4	146.9	148.2	149.6	151.1	1.2	9.4	6.1	126.7	134.6	147.0
5. Distributive Industries	409.3	415.4	420.1	426.0	432.5	439.7	447.3	455.1	462.8	470.6	4.9	6.6	6.5	397.2	423.5	451.2
6. Service Industries	425.8	434.4	443.5	452.4	461.8	471.6	482.2	493.0	503.2	512.9	10.0	8.9	8.8	411.5	448.0	487.5
7. Military	42.7	44.3	44.5	44.6	44.8	47.3	47.4	47.6	47.8	50.7	4.2	4.7	6.5	42.6	44.6	47.5
8. Civilian Government	289.4	294.9	299.8	304.3	309.0	316.8	322.0	327.2	332.2	340.0	7.0	6.5	7.5	283.6	302.0	324.6
9. Supplements	339.4	356.8	365.7	374.3	383.2	398.7	408.1	417.5	427.0	441.0	9.6	13.5	11.6	326.1	370.0	412.8
10. Proprietors' Income	139.4	169.0	151.5	154.0	153.4	150.7	153.1	154.6	157.0	155.0	17.9	22.1	-1.9	128.5	156.9	153.9
11. Business & Professional	114.5	121.7	123.1	124.1	125.4	126.9	127.9	127.8	128.5	127.9	23.1	14.9	3.4	107.6	123.6	127.8
12. Farm	25.0	47.3	28.4	29.9	27.8	23.8	25.2	26.8	28.5	27.1	-2.8	59.8	-21.9	20.9	33.4	26.1
13. Rental Income	56.2	57.0	57.5	58.0	58.6	59.2	59.7	60.3	60.9	61.5	9.8	5.5	3.8	54.8	57.8	60.0
14. Net Interest	251.9	262.0	274.3	283.4	294.2	305.2	316.5	325.6	334.8	344.5	-5.2	12.5	15.1	247.5	278.5	320.5
15. Corporate Profits Adj.	268.2	276.0e	275.0	280.1	284.5	294.6	297.4	295.7	298.8	298.7	39.0	21.7	6.3	229.1	278.9	296.6
16. National Income	2772.4	2877.0e	2910.3	2965.5	3019.8	3092.5	3154.8	3208.6	3266.7	3327.6	8.1	11.1	8.1	2650.1	2943.2	3180.7
17. Indirect Business Tax	296.0	300.4	304.3	309.1	314.3	321.2	327.1	333.5	340.1	346.9	10.7	7.4	7.7	285.9	307.0	330.5
18. Capital Consumption Adj.	-8.6	-13.7	-16.8	-18.5	-19.6	-19.4	-18.6	-17.4	-15.8	-13.7	-	-	-	9.5	-17.2	-17.8
19. Capital Consumption Alw.	391.8	402.0	411.6	421.5	431.8	442.2	452.5	462.7	472.5	482.2	17.7	13.3	9.8	367.8	416.7	457.5
20. Business Transfers	16.1	16.6	17.0	17.4	17.9	18.4	18.9	19.5	20.0	20.5	9.9	11.0	11.6	15.5	17.2	19.2
21. Net Govt. Subsidies	-24.6	-33.9	-16.6	-14.0	-12.4	-10.0	-11.0	-11.2	-11.1	-11.5	-	-	-	-16.1	-19.2	-10.8
22. Statistical Discrepancy	-6.8	-7.2e	-7.2	-5.8	-2.7	-6.0	-2.7	-4.4	-7.5	-9.7	-	-	-	-2.2	-5.7	-5.2
23. Gross National Product	3436.2	3541.2	3602.6	3675.2	3749.1	3838.9	3921.0	3991.3	4064.9	4142.3	7.7	10.0	8.6	3310.5	3642.0	3954.0

e = Estimate

Table 4.

Georgia State University
College of Business Administration
Economic Forecasting Project
May 1984

Derivation of U.S. Personal Income for 1983-IV and 1984-I with Forecasts for 1984-II through 1986-I

	1983	1984				1985				1986	Percent Change			Annual		
	IV	I	II	III	IV	I	II	III	IV	I	82-83	83-84	84-85	1983	1984	1985
1. National Income	2772.4	2877.0e	2910.3	2965.5	3019.8	3092.5	3154.8	3208.6	3266.7	3327.6	8.1	11.1	8.1	2650.1	2943.2	3180.7
2. Less: Corp. Profits Adj.	268.2	276.0e	275.0	280.1	284.5	294.6	297.4	295.7	298.8	298.7	39.0	21.7	6.3	229.1	278.9	296.6
3. Social Insurance	279.2	296.6	300.5	304.5	308.8	327.8	332.8	337.6	343.0	357.0	7.6	11.2	10.8	272.2	302.6	335.3
4. Plus: Government Transfers	392.0	394.7	396.4	400.8	404.6	414.2	417.8	422.5	426.9	440.8	7.7	2.8	5.3	388.1	399.1	420.4
5. Old Age, Survivors, etc	228.8	233.1	235.3	238.1	241.0	248.2	251.4	254.0	256.8	267.7	8.9	6.3	6.6	222.8	236.9	252.6
6. Unemployment Benefits	20.7	17.2	16.0	15.6	15.3	15.2	14.8	14.5	14.7	15.0	3.2	-37.5	-7.5	25.6	16.0	14.8
7. Veterans' Benefits	16.5	16.7	16.6	16.6	16.7	16.9	16.9	17.0	17.0	17.3	1.8	0.0	1.8	16.7	16.7	17.0
8. Employees' Retirement	60.1	61.2	62.0	63.7	64.3	65.4	66.1	67.9	68.5	69.7	8.1	7.2	6.7	58.6	62.8	67.0
9. A.F.D.C.	14.5	15.0	15.0	15.1	15.0	15.5	15.4	15.4	15.5	16.1	6.7	4.9	3.3	14.3	15.0	15.5
10. Other	51.4	51.5	51.5	51.7	52.3	53.0	53.2	53.7	54.4	55.0	6.6	3.2	3.5	50.2	51.8	53.6
11. Business Transfers	16.1	16.6	17.0	17.4	17.9	18.4	18.9	19.5	20.0	20.5	9.9	11.0	11.6	15.5	17.2	19.2
12. Interest Transfers	129.1	133.7	138.2	144.5	152.2	159.9	167.9	175.7	183.7	191.3	13.1	19.7	20.8	118.8	142.2	171.8
13. Personal Dividends	72.9	75.1	78.3	81.2	84.0	86.7	89.5	92.1	94.8	97.1	6.2	13.0	13.9	70.5	79.7	90.8
14. Equals: Personal Income	2835.2	2924.6	2964.7	3024.8	3085.2	3149.3	3218.7	3285.1	3350.3	3421.6	6.3	9.4	8.4	2742.1	2999.8	3250.9
15. Less: Personal Tax Payments	411.4	421.3	425.6	440.9	452.7	462.8	472.0	489.1	502.1	511.7	1.1	7.0	10.7	406.5	435.1	481.5
16. Equals: Disposable Personal Income	2423.9	2503.3	2539.1	2583.9	2632.5	2686.5	2746.7	2796.0	2848.2	2909.9	7.3	9.8	8.0	2335.6	2564.7	2769.4
17. Less: Consumption	2230.9	2280.5	2321.2	2366.9	2413.1	2463.3	2511.7	2565.1	2618.7	2670.0	8.3	8.7	8.3	2158.0	2345.4	2539.7
18. Less: Other Outlays	67.4	69.4	71.4	73.6	76.0	78.1	80.4	82.7	85.1	86.9	8.1	13.4	12.4	64.0	72.6	81.6
19. Equals: Personal Savings	125.6	153.3	146.5	143.4	143.4	145.1	154.6	148.2	144.4	153.0	-9.4	29.1	1.0	113.6	145.7	148.1
20. Savings Rate (%)	5.2	6.1	5.8	5.5	5.4	5.4	5.6	5.3	5.1	5.3	-	-	-	4.9	5.7	5.3

Table 5.

Georgia State University
College of Business Administration
Economic Forecasting Project
May 1984

U.S. Federal Government Activity for 1983-IV and 1984-I with Forecasts for 1984-II through 1986-I

	1983	1984				1985				1986	Percent Change			Annual		
	IV	I	II	III	IV	I	II	III	IV	I	82-83	83-84	84-85	1983	1984	1985
1. Government Receipts	657.5	684.1e	690.2	709.3	722.6	750.9	761.6	780.7	796.8	818.9	4.4	8.8	10.1	644.6	701.6	772.5
2. Personal Tax & Non-Tax	295.0	302.4	304.5	316.8	325.6	332.6	338.3	352.0	362.0	368.2	-2.9	5.5	10.9	295.9	312.3	346.2
3. Corporate Profits Tax	66.4	68.9e	69.4	72.8	73.1	75.0	75.4	76.3	77.4	78.9	29.7	17.9	6.9	60.3	71.1	76.0
4. Indirect Business Tax	55.8	55.9	56.2	56.5	57.1	58.5	58.9	59.4	60.1	61.2	11.8	4.4	5.0	54.0	56.4	59.2
5. Contributions for Social Security	240.3	256.9	260.1	263.2	266.8	284.8	289.0	293.0	297.3	310.6	7.6	11.7	11.2	234.4	261.8	291.0
6. Government Expenditures	847.3	860.6	873.6	891.4	908.8	932.6	951.8	971.0	987.7	1022.5	8.1	6.9	8.7	826.3	883.6	960.8
7. Purchases of Goods and Services	274.1	275.0	299.4	310.6	319.9	331.6	340.5	349.3	356.6	371.4	6.2	9.5	14.4	274.8	301.2	344.5
8. Defense	206.3	216.2	221.6	227.6	234.3	244.7	252.2	259.7	266.2	277.0	11.6	12.3	13.7	200.3	224.9	255.7
9. Durables	62.9	66.0	68.8	71.9	75.5	79.2	83.7	87.9	91.8	95.4	19.4	19.3	21.4	59.2	70.6	85.7
10. Nondurables	12.8	14.5	14.9	15.6	16.0	16.3	16.7	17.1	17.4	17.8	0.7	10.9	10.5	13.8	15.3	16.9
11. Military Compensation	42.7	44.3	44.5	44.6	44.8	47.3	47.4	47.6	47.8	50.7	4.2	4.7	6.5	42.6	44.6	47.5
12. Civilian Compensation	29.4	30.3	30.4	30.5	30.6	32.1	32.1	32.2	32.3	34.0	6.2	4.5	5.6	29.2	30.5	32.2
13. Other Services	53.9	56.5	58.6	60.4	62.7	64.9	67.3	69.7	71.6	73.7	16.4	16.9	14.8	51.0	59.6	68.4
14. Structures	4.6	4.4	4.4	4.6	4.7	4.9	5.0	5.2	5.3	5.4	18.4	0.0	13.3	4.5	4.5	5.1
15. Nondefense	67.8	58.8	77.8	83.0	85.6	86.9	88.3	89.6	90.4	94.4	-6.1	2.4	16.4	74.5	76.3	88.8
16. Durables	3.8	3.8	4.0	4.0	4.1	4.2	4.3	4.4	4.4	4.6	12.9	14.3	7.5	3.5	4.0	4.3
Nondurables																
17. CCC Inventory Change	-8.7	-18.7	-1.3	2.6	3.9	2.7	3.0	3.2	3.0	3.4	-	-	-	-1.2	-3.4	3.0
18. Other Nondurables	6.3	5.7	6.3	6.8	7.3	7.2	7.5	7.8	8.0	8.2	-	-	-	6.6	6.5	7.6
19. Compensation	34.5	35.5	35.6	35.8	35.9	37.7	37.8	38.1	38.1	40.3	4.9	4.1	6.2	34.3	35.7	37.9
20. Other Services	25.5	26.3	26.9	27.3	27.8	28.5	29.0	29.3	30.0	30.9	10.8	9.7	7.7	24.7	27.1	29.2
21. Structures	6.4	6.2	6.3	6.5	6.6	6.6	6.7	6.8	6.9	7.0	0.0	-4.5	6.3	6.7	6.4	6.8
22. Transfer Payments	350.9	347.6	349.5	353.5	356.8	365.3	368.3	372.4	375.8	388.9	7.6	1.9	5.3	345.4	351.9	370.5
23. Grants-in-Aid to State and Local Governments	86.4	89.6	89.9	90.3	90.2	89.8	89.3	88.7	88.0	88.1	3.1	4.0	-1.1	86.5	90.0	89.0
24. Net Interest Paid	104.6	107.8	111.2	115.9	122.3	128.5	135.2	141.8	148.5	154.8	13.7	18.4	21.2	96.5	114.3	138.5
25. Deficit of Government Enterprises	31.3	40.7	23.6	21.1	19.6	17.4	18.5	18.8	18.8	19.3	43.0	16.4	-30.0	22.6	26.3	18.4
26. Federal Surplus	-189.8	-176.5e	-183.4	-182.1	-186.2	-181.7	-190.2	-190.3	-190.9	-203.6	-	-	-	-181.6	-182.1	-188.3
27. Federal Debt Held by Individuals (EOP)	1022.6	1082.0	1112.4	1148.2	1191.1	1246.2	1276.6	1316.3	1365.4	1425.9	20.5	16.5	12.2	1022.6	1191.1	1365.4
28. Total Government Surplus	-131.8	-118.0e	-129.4	-129.4	-136.0	-133.2	-143.5	-145.5	-148.3	-161.9	-	-	-	-130.2	-128.2	-142.6

Table 6.

Georgia State University
College of Business Administration
Economic Forecasting Project
May 1984

Selected Economic Variables of the U.S. Economy for 1983-IV and 1984-I with Forecasts for 1984-II through 1986-I

	1983	1984				1985				1986	Percent Change			Annual		
	IV	I	II	III	IV	I	II	III	IV	I	82-83	83-84	84-85	1983	1984	1985
Private Economy																
1. Change in Private Hourly Wage Costs	4.4	4.8	5.0	5.0	5.4	6.6	6.4	6.2	6.6	7.3	-	-	-	5.3	4.8	6.0
2. Change in Output Per Worker Hour	0.6	2.8	0.4	0.7	1.2	1.3	1.3	-0.2	0.8	0.3	-	-	-	2.7	1.6	0.9
3. Change in Implicit Unit Labor Costs	3.8	2.0	4.6	4.3	4.2	5.2	5.0	6.3	5.8	6.9	-	-	-	2.6	3.1	5.0
4. Change in Adjusted Price Deflator	2.6	0.4	7.0	5.2	5.3	5.7	5.3	5.3	5.4	5.8	-	-	-	3.9	3.6	5.5
Prices																
5. Consumer Price Index	303.1	306.7	309.9	314.2	318.7	323.1	327.2	331.9	337.0	342.3	3.2	4.7	5.6	298.4	312.4	329.8
6. Industrial Commod. (PPI)	318.4	320.5	324.0	327.9	332.4	336.5	340.4	344.9	349.6	355.5	1.1	3.3	5.1	315.8	326.2	342.9
Corporate Economy																
7. After Tax Profit	142.9	147.1e	146.3	153.0	152.9	158.5	159.4	161.2	165.2	170.1	13.5	14.7	7.5	130.6	149.8	161.1
8. Inventory Profits	6.3	10.0	14.5	19.0	19.6	18.2	17.0	21.5	23.6	29.9	9.5	71.7	27.2	9.2	15.8	20.1
9. Genuine Profits	182.9	187.4e	185.9	186.4	190.6	198.3	200.7	198.0	199.7	197.7	44.1	23.3	6.2	152.2	187.6	199.2
10. Mean Closing - Dow Jones	1253.3	1196.4	1170.5	1219.9	1129.0	1167.9	1202.3	1223.0	1222.5	1264.2	34.5	-0.9	2.1	1189.8	1179.0	1203.9
11. Mean Closing - NY Composite	95.69	92.62	91.43	95.67	90.16	93.48	96.86	97.58	96.85	99.52	34.5	-0.3	4.0	92.74	92.47	96.19
Financial																
12. Monetary Base	201.4	205.7	210.1	213.6	217.0	220.7	224.4	228.0	231.6	235.4	9.5	8.2	6.9	195.5	211.6	226.2
13. Checkable Deposits	376.2	382.4	387.0	394.8	401.5	408.8	416.1	420.5	426.4	432.8	11.6	6.6	6.8	367.1	391.4	418.0
14. M1	523.3	532.7	539.3	549.6	558.8	568.9	578.9	586.0	594.7	603.8	11.0	7.1	6.8	509.1	545.1	582.1
15. Velocity of M1	6.478	6.561	6.594	6.601	6.622	6.657	6.680	6.715	6.735	6.756	-2.8	2.8	1.6	6.413	6.595	6.698
16. M2	2181.8	2218.9	2254.5	2306.2	2356.4	2414.9	2470.9	2519.5	2570.2	2623.8	12.6	7.9	9.2	2116.3	2284.0	2493.9
17. Velocity of M2	1.554	1.575	1.577	1.573	1.570	1.568	1.565	1.562	1.558	1.555	-4.2	2.0	-0.7	1.543	1.574	1.563
18. Federal Funds	9.43	9.69	10.53	10.66	11.03	11.09	11.48	11.96	11.52	11.27	-25.9	15.3	9.8	9.09	10.48	11.51
19. Prime Rate	11.00	11.07	12.00	12.16	12.54	13.00	13.09	13.68	14.00	14.00	-27.4	10.7	12.6	10.79	11.94	13.44
20. 6 Month T-Bills	8.98	9.28	9.77	9.93	10.28	10.07	10.28	10.65	10.49	10.16	-21.1	12.5	5.6	8.73	9.82	10.37
21. Seasoned AAA Corp.	12.41	12.28	12.73	13.05	13.09	12.96	13.27	13.53	13.56	13.07	-12.7	6.2	4.2	12.04	12.79	13.33
22. FHA Mortgage Rates	13.24	13.29	13.66	14.09	14.16	14.07	14.43	14.58	14.57	14.06	-19.0	4.4	2.8	13.43	14.02	14.41
Miscellaneous																
23. Housing Starts	1699	1950	1798	1716	1667	1651	1607	1466	1402	1350	60.3	4.7	-14.1	1703	1783	1532
24. Single Family Starts	1037	1258	1152	1076	1041	1003	978	863	825	794	61.1	6.0	-19.0	1068	1132	917
25. Unit Auto Sales	9.9	10.6	10.4	10.6	10.6	10.8	10.8	10.9	11.0	10.9	15.0	15.2	2.8	9.2	10.6	10.9
26. Civilian Employment	102506	103740	104667	105188	105693	106298	106864	107387	107661	107997	1.3	4.0	2.1	100821	104822	107053
27. Unemployment Rate	8.5	7.9	7.6	7.5	7.4	7.4	7.2	7.1	7.2	7.2	-1.0	-20.8	-5.3	9.6	7.6	7.2
28. Industrial Production	155.5	159.7	161.5	162.7	163.9	165.7	167.2	167.0	167.2	166.7	6.5	9.8	3.0	147.6	162.0	166.8
29. Asset-Consumption Ratio	3.099	3.047	3.012	3.013	2.949	2.952	2.949	2.925	2.894	2.902	5.1	-4.6	-2.5	3.151	3.005	2.930

Table 7.

Georgia State University
College of Business Administration
Economic Forecasting Project
May 1984

U.S. Foreign Trade Accounts for 1982 and 1983 with Forecasts for 1984 and 1985

	1982	1983	1984	1985	Percent Change 82-83	83-84	84-85
Exports of U.S. Merchandise	212193	200486	219920	240744	-5.5	9.7	9.5
Food & Live Animals	23950	24166	27453	30756	0.9	14.0	12.0
Beverages & Tobacco	3026	2813	3006	3278	-7.0	6.9	9.0
Crude Materials	19248	18596	22242	24545	-3.4	19.6	10.4
Mineral Fuels	12729	9500	9004	9790	-25.4	-5.2	8.7
Animal & Vegetable Oils	1541	1459	2789	2773	-5.3	91.2	-0.6
Chemicals	19891	19751	21298	23450	-0.7	7.8	10.1
Manufactured Goods	16739	14852	15343	16700	-11.3	3.3	8.8
Machinery, Trans. Equipment	87128	82562	86380	92633	-5	›	7.2
Miscellaneous Manufacturing	15959	15243	16024	18095	-4.		12.9
Commodities, n.e.c.	6866	6975	9810	11170	1.6		13.9
Re-exports	5117	4568	6572	7555	-10.		15.0
Imports of Merchandise	243952	258044	328758	356825	5.8	27.4	8.5
Food & Live Animals	14453	15412	19094	20413	6.6	23.9	6.9
Beverages & Tobacco	3364	3408	3321	3496	1.3	-2.6	5.3
Crude Materials	8589	9590	11534	13198	11.7	20.3	14.3
Mineral Fuels	65409	57952	63687	64872	-11.4	9.9	1.9
Animal & Vegetable Oils	406	495	747	676	21.9	50.9	-9.5
Chemicals	9494	10779	13890	16810	13.5	28.9	21.0
Manufactured Goods	33148	34833	46346	49358	5.1	33.1	6.5
Machinery, Trans. Equip.	73320	86131	117704	131405	17.5	36.7	11.6
Misc. Manufacturing	28061	31702	43065	46083	13.0	35.8	7.0
Commodities, n.e.c.	7708	7742	9371	10515	0.4	21.0	12.2
Foreign Transactions							
Total Exports	347.6	335.4	368.7	408.7	-3.5	9.9	10.8
Merchandise Exports	209.2	199.4	220.5	241.3	-4.7	10.6	9.4
Factor Income	86.5	82.1	93.5	109.7	-5.1	13.9	17.3
Other Services	51.9	54.0	54.7	57.7	4.0	1.3	5.5
Total Imports	330.2	344.4	426.6	469.0	4.3	23.9	9.9
Merchandise Imports	244.5	258.9	325.8	356.3	5.9	25.8	9.4
Factor Income	39.3	36.4	46.4	54.3	-7.4	27.5	17.0
Other Services	46.4	49.1	54.4	58.4	5.8	10.8	7.4
Transfer	7.5	7.9	7.0	8.1	5.3	-11.4	15.7
Government Interest	18.2	17.7	19.6	22.2	-2.7	10.7	13.3
Net Foreign Investment	-8.3	-34.6	-84.5	-90.6	-	-	-

Table 8.

Georgia State University
College of Business Administration
Economic Forecasting Project
May 1984

Implicit Price Deflators for Personal Consumption Expenditures for 1983-IV and 1984-I with Forecasts for 1984-II through 1986-I

	1983	1984				1985				1986	Percent Change			Annual		
	IV	I	II	III	IV	I	II	III	IV	I	82-83	83-84	84-85	1983	1984	1985
Durable Goods	180.7	180.5	181.6	183.2	185.0	187.0	188.8	190.9	193.1	195.3	2.2	2.2	4.1	178.7	182.6	190.0
% Change	3.6	-0.5	2.5	3.5	4.0	4.5	4.0	4.4	4.8	4.5						
Automobiles	199.4	197.9	199.5	201.5	204.1	206.4	208.6	210.9	213.8	216.4	2.5	2.4	4.5	196.1	200.8	209.9
% Change	6.3	-3.0	3.3	4.1	5.3	4.6	4.3	4.5	5.5	5.1						
Furniture	158.4	159.2	159.8	160.7	161.7	162.8	164.1	165.3	166.6	168.1	0.9	1.6	2.7	157.9	160.4	164.7
% Change	1.3	2.0	1.6	2.2	2.5	2.8	3.2	3.0	3.2	3.7						
Other Durables	186.9	187.4	187.7	189.1	191.2	193.9	196.5	199.1	201.8	204.6	2.4	1.8	4.7	185.6	188.9	197.8
% Change	-0.9	1.1	0.6	3.1	4.5	5.7	5.5	5.3	5.6	5.7						
Nondurables	215.7	217.6	218.9	222.1	224.5	226.9	229.7	232.4	235.3	238.4	2.3	3.3	4.7	213.8	220.8	231.1
% Change	0.3	3.6	2.4	5.9	4.4	4.4	5.0	4.8	5.1	5.4						
Food	222.5	228.4	230.1	234.[illegible]	237.3	240.0	243.2	246.4	249.6	253.0	2.4	5.3	5.2	220.9	232.6	244.8
% Change	2.9	11.0	3.0	[illegible]	5.2	4.7	5.3	5.4	5.2	5.7						
Apparel	145.2	144.6	144.7	145.[illegible]	146.4	147.7	149.4	150.9	152.5	154.3	1.9	1.0	3.3	143.8	145.3	150.1
% Change	-0.3	-1.6	0.3	2.5	2.2	3.7	4.[illegible]	4.0	4.5	4.7						
Gasoline & Oil	354.4	337.3	342.2	347.7	352.1	355.2	359.5	363.3	367.7	374.2	-3.1	-0.3	4.8	345.9	344.8	361.4
% Change	0.2	-17.9	5.9	6.6	5.2	3.6	4.9	4.3	4.9	7.3						
Fuel Oil	537.9	562.5	554.1	560.2	569.9	580.0	584.6	589.6	599.1	615.1	-6.1	5.7	4.7	531.3	561.7	588.3
% Change	6.2	19.6	-6.2	4.5	7.1	7.3	3.2	3.5	6.6	11.1						
Other Nondurables	216.5	218.4	220.6	222.9	225.6	228.5	231.7	234.8	238.3	241.9	6.9	3.6	5.1	214.2	221.9	233.3
% Change	1.9	3.6	4.0	4.3	4.8	5.3	5.6	5.5	6.0	6.2						
Services	228.6	231.2	234.3	237.5	240.7	244.0	247.5	251.0	254.7	258.5	6.0	5.2	5.7	224.3	235.9	249.3
% Change	5.2	4.7	5.5	5.5	5.5	5.6	5.8	5.8	6.0	6.1						
Housing	209.8	211.7	214.0	216.3	218.6	220.9	223.3	225.8	228.4	231.0	5.7	4.4	4.4	206.2	215.2	224.6
% Change	4.7	3.7	4.5	4.3	4.4	4.3	4.4	4.5	4.7	4.7						
Electricity & Gas	334.4	337.7	341.5	347.2	353.5	358.0	363.5	369.4	375.9	382.9	7.4	4.9	6.3	328.9	345.0	366.7
% Change	8.4	4.0	4.6	6.9	7.5	5.2	6.3	6.6	7.3	7.6						
Household Operations	187.6	194.2	195.3	197.1	199.1	202.8	205.4	207.2	209.4	212.3	5.7	5.6	5.0	186.0	196.4	206.2
% Change	2.6	14.8	2.2	3.7	4.2	7.6	5.3	3.6	4.3	5.6						
Transportation	238.0	239.5	242.7	246.4	250.3	254.3	258.7	262.9	267.4	272.4	7.0	6.2	6.6	230.4	244.7	260.8
% Change	8.1	2.5	5.4	6.3	6.4	6.6	7.0	6.7	7.1	7.6						
Other Services	238.1	241.6	245.0	248.7	252.5	256.4	260.6	264.9	269.4	274.0	6.0	5.7	6.4	233.6	247.0	262.8
% Change	5.4	6.0	5.7	6.2	6.2	6.4	6.6	6.7	7.0	7.1						
Personal Consumption Expenditures	216.1	217.8	220.0	222.9	225.6	228.4	231.3	234.3	237.5	240.8	3.9	3.8	5.1	213.4	221.6	232.9
% Change	2.8	3.2	4.2	5.4	5.0	5.1	5.3	5.3	5.6	5.7						
Consumer Price Index	303.1	306.7	309.9	314.2	318.7	323.1	327.2	331.9	337.0	342.3	3.2	4.7	5.6	298.4	312.4	329.8
% Change	4.4	4.9	4.2	5.7	5.8	5.7	5.2	5.9	6.3	6.4						

Table 9.

Georgia State University
College of Business Administration
Economic Forecasting Project
May 1984

Implicit Price Deflators with Annual Percentage Changes for 1983-IV and 1984-I with Forecasts for 1984-II through 1986-I

	1983	1984				1985				1986	Percent Change			Annual		
	IV	I	II	III	IV	I	II	III	IV	I	82-83	83-84	84-85	1983	1984	1985
GNP Deflator	218.53	220.73	223.29	226.25	229.04	232.34	235.41	238.61	241.87	245.62	4.2	4.3	5.4	215.63	224.83	237.06
% Change	3.9	4.1	4.7	5.4	5.0	5.9	5.4	5.6	5.6	6.3						
Personal Cons. Exp.	216.1	217.8	220.0	222.9	225.6	228.4	231.3	234.3	237.5	240.8	3.9	3.8	5.1	213.4	221.6	232.9
% Change	2.8	3.2	4.2	5.4	5.0	5.1	5.3	5.3	5.6	5.7						
Private Domestic Investment	217.2	218.7	220.6	223.2	225.1	227.7	230.5	233.6	236.4	238.4	1.1	3.0	4.6	215.5	221.9	232.1
% Change	-0.1	2.8	3.4	4.7	3.4	4.7	5.1	5.5	4.8	3.5						
Structures	264.3	262.5	264.1	266.2	268.5	271.5	275.5	279.7	283.8	288.5	-0.7	0.5	4.7	263.9	265.3	277.7
% Change	1.0	-2.7	2.5	3.2	3.5	4.7	5.8	6.2	6.0	6.8						
Producers' Durables	184.8	184.1	185.3	186.9	188.5	190.4	192.5	194.8	197.5	200.1	-0.1	1.8	4.1	182.9	186.2	193.8
% Change	4.6	-1.4	2.6	3.5	3.4	4.2	4.3	4.9	5.6	5.5						
Residential Structures	248.7	249.3	250.3	252.0	253.1	255.2	257.4	259.9	262.2	264.8	2.7	1.8	3.0	246.8	251.2	258.7
% Change	-0.4	1.0	1.6	2.7	1.8	3.3	3.6	3.9	3.7	4.0						
Exports	246.4	248.6	250.7	253.1	255.8	259.4	263.1	267.0	271.1	275.7	2.5	4.3	5.2	241.8	252.1	265.2
% Change	6.6	3.6	3.5	3.9	4.3	5.7	5.9	6.0	6.4	6.9						
Imports	270.3	267.9	268.4	270.1	272.5	275.8	279.6	283.7	288.3	293.5	-2.7	-0.6	4.5	271.3	269.7	281.9
%Change	-10.7	-3.5	0.7	2.5	3.6	5.0	5.5	6.0	6.6	7.4						
Federal	235.6	240.4	244.0	246.6	249.4	256.2	258.9	262.3	265.5	274.0	5.1	5.1	6.4	233.3	245.1	260.7
% Change	3.0	8.5	6.2	4.4	4.6	11.4	4.3	5.4	5.0	13.5						
Federal Purchases	255.3	259.5	263.1	266.1	269.9	273.9	277.9	282.3	286.9	292.2	5.6	5.1	5.9	251.8	264.7	280.3
% Change	4.7	6.7	5.6	4.6	5.8	6.2	6.0	6.4	6.8	7.5						
Federal Value Added	209.7	216.7	217.0	217.6	218.1	229.0	229.3	230.4	231.0	244.0	4.1	4.2	5.7	208.7	217.4	229.9
% Change	1.3	14.0	0.5	1.1	0.9	21.6	0.5	1.9	1.1	24.4						
State & Local	241.5	245.6	249.7	253.6	257.8	262.2	266.7	271.2	276.0	280.8	6.2	6.4	6.9	236.6	251.7	269.0
% Change	5.4	7.0	6.8	6.5	6.8	7.0	7.0	6.9	7.3	7.2						
State & Local Purchases	252.1	255.3	258.2	261.4	265.0	268.5	272.5	276.6	281.0	285.8	3.3	4.6	5.7	248.5	260.0	274.7
% Change	3.7	5.2	4.6	5.1	5.5	5.5	6.0	6.2	6.5	7.1						
State & Local Value Added	234.5	239.3	243.7	248.1	252.5	257.6	262.5	267.4	272.2	277.2	8.2	7.6	7.7	228.5	245.9	264.9
% Change	6.9	8.4	7.6	7.5	7.2	8.3	7.9	7.6	7.3	7.5						

The Georgia State University Economic Forecasting Project collects data, engages in analysis of macro-economic systems, and develops procedures that aid in the creation of econometric descriptions of the national, regional and local economies. Our research is sponsored by the Georgia State University College of Business Administration and receives financial support from the following organizations:

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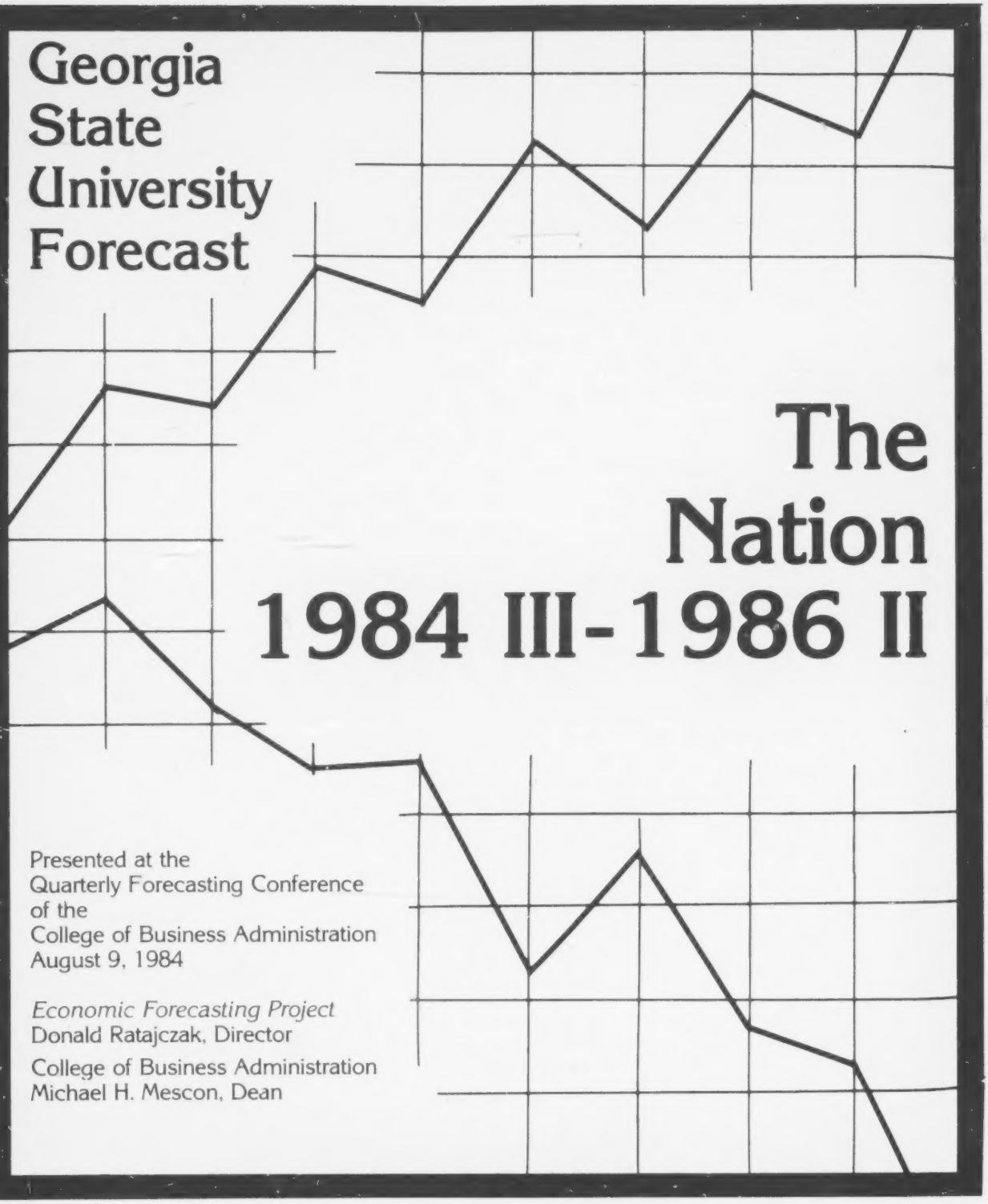
Georgia State University Forecast

The Nation 1984 III-1986 II



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Donald Ratajczak, Director

College of Business Administration
Michael H. Mescon, Dean

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SLOWER GROWTH BUT NO RECESSION IS LIKELY OUTCOME INTO 1986

Dr. Donald Ratajczak, Director
Economic Forecasting Project
Georgia State University

COMMENTARY

Data Revisions

Most of this year's data revisions that typically accompany each July's GNP report were relatively modest. First quarter real growth was increased from a previous 9.7% estimate to a boom increase of 10.1%. However, no dramatic measurement problems were revealed in the revisions for the three previous years.

A few adjustments were significant in their individual sectors. Investment was revised upward by almost $30 billion. Half of this change was in the inventory component, where more complete data for the first quarter indicated that non-farm inventories expanded even more briskly than originally had been reported. However, expenditures for construction goods also were increased in the first quarter and in previous years. Both residential and nonresidential structures were revised upward by a modest $2 billion. Producers' durables, however, were revised upward sharply, by more than $9 billion. Not only do these revisions indicate that capital spending might grow even more briskly than the 14.8% contained in the latest anticipation surveys for 1984, but they also suggest that capacity also is expanding more rapidly than has been measured by the capacity utilization report generated by the Federal Reserve. In addition, our measures of capital needs have been reduced slightly by this more rapid accumulation of durable goods. As much of this upward revision in investment appears to have been supplied through an upward revision in imports, growth in capital may now be slightly excessive in comparison to domestic production growth.

Expenditures fell short of previous estimates in the federal government sector. The major contributor to reduced spending in the government sector included a greater reduction in Commodity Credit Corporation inventories than had previously been estimated. This nearly $4 billion relief in nondefense federal spending is expected to be temporary.

Spending for national defense also is trailing previous estimates by $3 billion, but most of this discrepancy is occurring in the procurement of nondurables. Moreover, real spending has not been revised downward sharply, suggesting that lower inflation rather than any reduction in spending programs has been responsible for holding down federal purchases of goods and services. As more moderate inflation in nondurables, especially in the oil component, is expected to persist into 1985, these revisions lead to lower government spending and a smaller deficit than had appeared in previous national income reports.

Data revisions also were not dramatic for the income components in the GNP accounts. Compensation of employees showed little change from previous estimates, although earnings in goods-producing industries were marked down by $7 billion while $7 billion was added to the wages of distributive and service personnel. A major downward revision occurred, however, in farm proprietor's income. Farm income was reduced by nearly $15 billion or by almost a third. Reduced subsidies from the Commodity Credit Corporation, despite the sharp dropoff in inventories from that organization, probably account for a large portion of this dramatic revision in farm income. Offsetting the decline in farm proprietor's income were significant upward revisions for rental income and interest earnings. If farm income can be ignored, the data revisions on the income side slightly increase the returns to capital, although none of those increased returns were available to increase corporate profits.

The upward shift in investment without any comparable upward shift in corporate or personal savings explains why interest rates rose more briskly than had been anticipated during the second quarter. To the extent that an upward revision in inventories for the first quarter and an increase in the ratio of producers' capital to output lead to reduced investment pressures during the latter half of 1984, these data revisions could indicate that interest rates were abnormally high early in the year on the basis of unusually strong investment activity and can now decline as that investment activity grows at a sharply reduced rate.

Moreover, reduced inflation for defense nondurables should be sustained, at least until oil prices begin increasing. As our forecast does not anticipate any rise in oil prices through the first half of 1986, and possibly through that entire year, government spending for defense should be lower than originally projected. When the moderation of inflation is also factored into the indexed components of government spending, and reduced borrowing needs are reflected in slower growth in interest payments by the government, then government deficits are reduced from previous anticipations. Indeed, Table 5 suggests that deficits in the next fiscal year will be slightly lower than the more than $170 billion deficit of the current fiscal year. While deficits are not expected to decline in the year beyond that, they also do not significantly accelerate despite a marked slowing in real growth in the latter half of 1985 and in 1986.

As a result of these adjustments, longer term borrowing requirements by the federal government are diminished by $20 billion in 1985 and by nearly $40 billion in 1986 in comparison to previous forecasts. With the need for capital accumulation diminishing as a result of the upward revisions in investment flows in 1983 and early 1984, this suggests that peak interest rates must be lower than previously projected. Indeed, despite increasing corporate borrowing needs late in 1984, which should generate increasing interest rate pressures into the early months of 1985, peak rates on government long-term bonds no longer are expected to exceed 14%. It is highly likely that interest rates on long-term government bonds peaked in May, 1984. That peak may be challenged early in 1985, but forecasts of "spectacularly higher interest rates" in the next twelve months are even less likely as a result of the data revisions.

Moreover, a $15 billion downward revision in farm income appears to have had no impact upon personal savings. Of course, a shift in the distribution of household income from farmers to property owners was responsible for maintaining relatively high savings rates early in 1984. Although consumers are aggressively borrowing to support their sharp gains in purchases of consumer durables, they also have been maintaining their savings programs. Contributions

to IRA's early in 1984 were estimated at nearly $43 billion, more than $15 billion above contributions made during the same period in the previous year.

Although data revisions reveal some interesting shifts in investment and savings behavior, they did not reveal any economic imbalances. Therefore, excluding the reduced interest rate forecast, no other substantial revisions in forecasts are necessary to reflect the improved information provided by these revised data.

Recent Activity

Economic activity during the second quarter was expected to be more vigorous than contained in our May forecast, but the 7.5% preliminary estimate of second quarter activity was surprisingly robust. The slowing in food prices was even more significant than anticipated, although the CPI changes were close to GSU expectations. Moreover, the mix of consumption led to a sharply lower consumer expenditures deflator than had been expected. Sharp reductions in construction prices in the latter part of the second quarter also caused the GNP deflator to grow significantly slower than had been expected. This decreased inflationary pressure was a major factor in creating greater economic activity during the spring than virtually any analyst had foreseen.

In addition, data revisions revealed more rapid growth in capital accumulation than earlier data had indicated. This investment spending boom continued through the second quarter. Also, a slowing in housing starts was not reflected in reduced residential construction, as weather problems earlier in the year temporarily altered the relationship between housing starts and housing activity.

Although the strongest growth month during the second quarter occurred in April, as unusual weather conditions temporarily reduced activity in March, the quarter also ended with reasonably robust activity in June. Despite an unusually early reduction in automobile production, the industrial production index expanded 0.4% in that month. More significantly, the index of hours worked increased by more than 0.5%. Our monthly estimates of GNP suggest that real economic activity in June expanded by more than 6%. Some of the monthly data reported for June probably were misleading in the degree to which they showed economic weakness. Factory orders and orders for durable goods dropped sharply, but they had increased sharply in the previous month. Moreover, a significant expansion in hours worked in the durable goods industry during July indicates that no concern about flattening order books is being reflected in employment decisions. Therefore, orders probably increased in July. Although construction spending fell by 0.2% in June, construction prices fell by 1.0%. A 0.8% increase in real construction spending certainly does not reflect a dramatic slowing. Only declining leading indicators provided any strong suggestions that economic activity will be slowing ahead. However, much of the decline in that series was caused by weakness in orders.

The Employment Situation for July suggests that real GNP slowed further in that month, probably to slightly less than a 4% annual rate of gain. Construction in real terms probably declined, but industrial activity probably accelerated slightly to show a 0.5% rate of gain. The increase in unemployment from 7.1% in June to 7.5% in July has little significance. The 0.7 decline in unemployment rates between April and June coincided with only a 0.1 decline in the insured unemployment rate. Moreover, the June workforce for women and blacks unexpectedly declined. The July unemployment rate restores those labor

forces to more normal relationships and also restores the household unemployment rate to a better relationship with the insured unemployment rate. The downtrend in unemployment should resume in August.

More significantly, the hourly earnings index showed a 0.5% increase, the largest seasonally adjusted monthly gain in more than a year. Wages were growing most significantly in the finance and service sectors. Not only will personal income grow more sharply in July than in June, providing substantial purchasing power for consumers to support economic expansion through the remainder of 1984; but the acceleration in hourly wages suggests that some segments of the labor market are becoming relatively tight. Thus, the moderation in wage inflation may be coming to an end.

Even as wages are beginning to accelerate, some measures of commodity inflation continued to show remarkable stability. Our PPI estimates show an increase of 0.1% in July, following three consecutive months of no increase. Because of more favorable supply conditions for most agricultural products than had been expected earlier, a surge in food prices during the summer months no longer is likely. As a result, the CPI probably will increase by a lesser amount during the summer than in the spring. For the entire year, the official CPI is expected to increase only slightly more than 4%. However, this moderation in inflation coupled with an intensification of wage pressures must reduce the growth of profitability. Those analysts arguing for deflation in light of these intensifying wage pressures must be looking for a profit slump. Indeed, our forecast suggests that after-tax profits fell during the second quarter and will not rebound briskly in the second half of 1984. However, an outright profit slump current appears to be unlikely.

By the end of 1984, a 25% increase in the trade-weighted value of the dollar from the 1980-82 base period will have reduced prices by 5% in comparison to where the indices would have been if the dollar had not increased in value. Merely to maintain that degree of price restraint, which momentarily reduced the inflation rate by more than two percentage points per year, would require a further dramatic increase in the dollar's value. As present currency values already are creating a current account deficit in excess of $80 billion, such strengthening in the dollar is out of the question. Indeed, a possible collapse in the price of oil by as much as $3-$5 could be the last significant commodity price adjustment to reflect the previous strengthening of the dollar. Inflation almost certainly would be intensifying after that possibility. (However, the current forecast still assumes that sufficient production restraint can be brought to bear by OPEC to prevent a downward adjustment in the contract price of oil. The excess capacity in oil production, however, should prevent even a nominal increase in oil prices before the end of 1986).

Housing almost certainly cannot sustain its current level of activity at prevailing interest rates. Indeed, single-family housing has begun to weaken moderately. However, investment syndicates continue to aggressively acquire multi-family properties. Much of this activity occurred prior to the change in depreciation guidelines for such property. Housing will become a significant detractor from economic growth during the second half of 1984 and well into 1985. Consumption of durables and food products also should grow much more slowly now that the stock of durables is expanding at long-term sustainable rates and food prices no longer are declining. However, the possible increase in savings that such a slowing in consumer preferences would create, could reduce the degree of decline in housing activity and preserve robust growth in capital spending. Nevertheless, capital spending will not be able to sustain

the more than 20% real rates of growth achieved in the first half of 1984. Significant slowing in the rate of economic expansion should be anticipated in the next year.

According to our analysis, sufficient imbalance between desired investment and desired saving will exist in the latter part of 1984 and early in 1985 to create more than a 1.5 percentage point increase in interest rates. Moreover, rising interest rates and only modest expansion in profitability should lead to lackluster performances on equity markets in the fall. However, data revisions indicate that interest rates prevailing in July were 1.5 percentage points higher than our formulas suggested. In addition, the July Dow Jones average was 100 points below where our formulas would normally predict. The current explosive rallies in both markets may be adjusting current values to what is suggested by our formulas. If so, these rallies soon should meet resistance. Rising interest rates and indecision on the values of equities soon should reappear. Sufficient risk probably exists in bond holdings to encourage investors to sharply shorten their maturity structures. On the other hand, the downside risk in equity values is not very great.

Recent Performance

As mentioned above, data revisions revealed stronger growth in investment activity than previous data suggested. In addition, weather disruptions during the first quarter shifted some residential construction activity into the second quarter. As a result, housing expenditures showed a surprising increase despite declining housing starts. As the dollar continued to hold its value, a previous rush to acquire inventories of imports subsided. Finally, an especially favorable mix of consumer items led to a much lower consumption deflator than normally would have been generated by the moderating CPI, which was appropriately anticipated by GSU. With less inflation, more momentum in fixed investment, a one-time shift in housing spending, and a temporary easing of the inventory buildup of imported goods, economic activity expanded more sharply than had been anticipated.

Certainly, the upward revision in the growth of fixed investment during the first quarter would have generated a higher estimate of growth in fixed investment during the second quarter as well. However, housing expenditures continue to show a looser relationship with housing starts than occurred in the past. Shifting weather conditions possibly are responsible for this change. If so, a closer alignment between appropriately weighted housing starts and residential expenditures should reappear during the summer. Given our estimates that starts will continue to decline, this would mean that housing expenditures would subtract from economic activity at that time.

Composition shifts continue to create problems in estimating GNP deflators. While we continue to anticipate the CPI and PPI with great accuracy - almost six months ago we indicated that the surge in food prices during the winter probably would be followed by food price declines in the spring and minimal change in the PPI at that time - we are having difficulty translating these performances into a reasonable estimate of the GNP deflator. Estimating more components of the GNP in terms of their real and price performance and then deriving the sector deflators may be beneficial.

Although the surge in interest rates during the spring was not fully anticipated, data revisions largely reveal greater increases in investment and lower increases in corporate savings at any prevailing interest rate. However,

rising interest rates later in the year and in 1985 still would be anticipated after the impact of the data revisions has been incorporated.

Despite higher interest rates than anticipated, housing starts also were higher than expected. Almost the entire discrepancy is in the multi-family units. We currently believe that anticipation of tax changes may have shifted the construction timing of those units. If so, housing starts should fall sharply in the second half of 1984.

Several adjustments to our forecasting procedures were made to reflect the underestimation of economic activity during the second quarter. A temporary adjustment of residential expenditures to housing starts was incorporated. This should have little impact upon construction spending estimates in the forecast period. Before greater sector detail can be built into the GNP accounts, greater reliance has been placed upon determining the probable impact of spending shifts on the deflator as inflation, as measured by the CPI and PPI, intensifies or diminishes. Hopefully, this will minimize the discrepancy between our significant accuracy in anticipating the price indices and our less than desirable performance in capturing changes in the GNP deflator.

Assumptions

Budgetary and monetary assumptions are contained in Tables 5 and 6. Because of lower inflationary pressures in the nondurable sector of the defense budget and slightly greater receipts as a result of stronger economic activity, budgetary deficits have been reduced slightly from previous anticipations. The estimated deficit on a cash basis for the current fiscal year is slightly in excess of $170 billion, down from anticipations of $174 billion three months ago. More significantly, the projected deficit for the next fiscal year is a decline to $165 billion, down from an estimated $178 billion. In fiscal 1986, a budget deficit also in the vicinity of $165 billion currently is anticipated. Previously, deficits were expected to rise to the vicinity of $200 billion in that year.

One very significant labor market assumption is dominating economic conditions in the fourth quarter of 1984 and in the first quarter of 1985. It was assumed that production would be disrupted for one-half of domestic capacity in the automobile industry for a period of six weeks during the fourth quarter of 1984. A six-week disruption of coal production also was anticipated, which would reduce production for 40% of domestic capacity, during the fall of 1984. These combined strike impacts were assumed to remove 1.5% from economic growth in the fourth quarter and regain 1.0% during the first quarter of 1985. Because strike disruptions are declines in supply, the economic slowing associated with them should have little impact upon credit market pressures.

Some other explicit assumptions are as follows:

a) Social Security taxes are expected to be 7.05% for both employer and employee on a wage base of $39,300 in 1985. In 1986, Social Security is expected to be 7.15% for both employer and employee on a projected wage base of $41,500. Cost-of-living adjustments for Social Security recipients were assumed to be 2.9% in the first quarter of 1985 and 5.4% in the first quarter of 1986.

b) Military and civilian government pay were expected to remain on a calendar year basis for the foreseeable future. Wage increases were assumed to be 5.8% for all civilians and 6.0% for military in 1985. Increases were

projected to be 6% for both military and civilian workers in 1986. Federal civilian payrolls were expected to increase by 20,000 over the next eight quarters while military was expected to increase to 2.254 million by the end of the forecast period.

c) Excise taxes were maintained on telephones and reduced on tobacco products to 8¢ per package in 1985. A $2.5 increase in excise taxes was expected on liters of hard liquor in 1985. The Post Office is expected to increase stamp values to 23¢ for first class mail in January 1985.

d) Contract oil prices are expected to remain at $29 in the world market through 1986. However, spot prices are expected to average $28 in the second half of 1984 before rising to $29 by the second half of 1985.

e) Although Federal Reserve targets were tightened slightly in 1985, our projections indicate that the Federal Reserve will accept growth slightly in excess of those targets. Thus, we have increased our expectations of Federal Reserve accommodation in the next eight quarters.

f) World trade is expected to grow 6% in 1984 and 4.5% in 1985. A return to 4% growth in 1986 then is projected. The U.S. share of world trade is expected to fall slightly in 1984, but a declining dollar, with values projected to fall by 15% on a trade-weighted basis during the forecast period, should stabilize U.S. shares in 1985 and increase trade shares slightly in 1986.

Conclusion and Summary

Although increasing interest rate pressures are likely in the fall as corporations begin to intensify borrowings to maintain their rapid rate of investment activity even as profitability begins to grow more slowly, data revisions suggest that the summer rally in the bond market was justified by prevailing conditions. Therefore, an anticipated 1.5 percentage point increase in both short- and long-term rates should now develop from currently prevailing rates. This means that long-term government interest rates probably will peak at 14%, although prime interest rates still might brush 15% before interest rates begin moving downward again in the second half of 1985.

Similarly, the current stock market rally appears to be fully justified by prevailing economic conditions. Prior to the rally, we were contemplating a 100 point intercept adjustment to bring our formula estimate of the Dow Jones into line with then prevailing values. The latest stock market rally has reduced our intercept adjustment by nearly two-thirds. This means that current stock market values are justified. However, our formulas show declining equity values from these levels in the next few quarters. Therefore, substantial further gains in equity values are not justified. Only after interest rates decidedly turn down late in 1985 will the equity markets finally be able to establish all-time highs.

Deflation is unlikely. Despite declines in commodity prices during the summer, wage costs have begun to intensify. Moreover, most of those price weaknesses appear to be related to previous increases in the dollar's value relative to other currencies. As no further substantial increases in the dollar's value are anticipated, commodity deflation will be a fond memory before the end of this year. On the other hand, a return to double-digit inflation also appears to be unlikely. Indeed, the decline in commodity prices has led to

lower estimates of CPI gains than in our previous forecast. These should reduce wage growth pressures for those employees with escalator clauses in their contracts. Thus, prices will increase only 4% as measured by the GNP deflator or the CPI during the four quarters of 1984. An acceleration to only 5.1% for the deflator and 5.5% for the CPI appears likely in 1985.

Faint signs of excessive investment activity for rental properties and commercial building are beginning to surface. As a result, investment growth probably will slow significantly in 1985. However, sufficient demand for industrial construction and continuing strength in machinery should generate growth in fixed investment well into 1986. Although inventory investment was growing in excess of sustainable levels during the first quarter, activity has slowed toward sustainable rates in the spring. When consumer spending slows its rate of growth early in 1985, modest further reductions in inventory expansion would be justified. However, no significant inventory imbalances exist at the present time.

The current relationship between consumption and income in the household sector provides no cause for alarm. Upward adjustments in the valuation of financial assets held by the household sector have led to an upward revision in the asset-outlay ratio. Moreover, the current savings rate, at 6.0%, is consistent with postwar norms. Barring a significant shift in consumer sentiment, a collapse of consumer support for the current economic expansion is unlikely.

In summary, the economy will be slowing its rate of expansion in 1985. Moderate excesses in rental property and commercial building might require declines in those sectors before 1986. However, economic imbalances are not significant at the present time. Although interest rates after adjustment for inflation are unusually high, there is no evidence that activity has been significantly restrained, except to the extent that speculative inventory buildup has been forestalled and housing excesses have been contained. In other words, those real rates of interest may have prolonged the life of the current expansion and should not, at these levels, be viewed as a threat to that expansion. Certainly, further significant increases in interest rates would create significant hazards to continued economic expansion, but interest rates probably already have peaked in the long-term markets last May. Only a testing of those high rates should be anticipated early in 1985, and that should not be sufficient to stall the recovery.

Inflation will be intensifying in 1985 and beyond, but the degree of acceleration will be in the vicinity of the normal 2 percentage points from trough to peak inflation rate that occurs in most business cycles. A return to double-digit inflation can be ruled out.

Economic gains will not be as favorable in 1985 and in 1986 as in the past year. No recession is anticipated, however. Moreover, 1984 was an exceptionally favorable year that would be hard to duplicate. While the outlook is not as favorable, neither is it unfavorable.

Table 1.

Georgia State University
College of Business Administration
Economic Forecasting Project
August 1984

U.S. Expenditures for 1984-I and 1984-II with Forecasts for 1984-III through 1986-II

		1984				1985				1986		Percent Change			Annual		
		I	II	III	IV	I	II	III	IV	I	II	82-83	83-84	84-85	1983	1984	1985
1.	Personal Consumption Expenditures	2276.5	2326.7	2370.7	2413.6	2461.8	2507.1	2552.6	2605.9	2660.8	2715.3	8.6	8.9	7.9	2155.9	2346.9	2531.9
2.	Autos and Parts	147.7	152.0	155.2	154.0	159.5	159.4	161.5	165.3	168.4	170.8	19.0	17.7	6.0	129.3	152.2	161.4
3.	Other Durable Goods	163.2	166.7	169.2	171.7	174.0	176.9	179.4	183.0	185.8	189.2	10.3	11.4	6.3	150.5	167.7	178.3
4.	Nondurable Goods	841.3	857.8	869.3	884.1	897.4	912.0	925.2	941.4	959.3	975.9	5.8	7.7	6.5	801.7	863.1	919.0
5.	Services	1124.4	1150.2	1177.0	1203.8	1230.9	1258.8	1286.5	1316.2	1347.3	1379.4	9.4	8.3	9.4	1074.4	1163.9	1273.1
6.	Gross Private Domestic Investment	623.8	631.5	646.1	655.1	665.0	678.8	688.2	697.6	698.7	710.1	13.7	35.5	6.8	471.6	639.1	682.7
7.	Residential Structures	151.2	156.6	156.8	151.7	151.6	149.6	148.5	143.2	141.4	147.6	44.6	16.6	-3.8	132.2	154.1	148.2
8.	Other Structures	142.2	152.1	159.7	167.5	175.5	182.2	188.0	193.1	198.1	202.3	-8.7	19.8	18.9	129.7	155.4	184.7
9.	Producers' Durables	256.7	269.1	280.3	287.4	295.7	300.5	306.4	313.8	320.0	325.8	7.6	22.5	11.2	223.2	273.4	304.1
10.	Change in Inventories	73.8	53.8	49.3	48.5	43.1	46.5	45.3	47.5	39.2	34.4	-	-	-	-13.5	56.4	45.6
11.	Net Export of Goods and Services	-51.5	-58.0	-55.1	-57.7	-52.4	-54.3	-50.7	-51.4	-44.4	-44.0	-	-	-	-3.1	-55.6	-52.2
12.	Exports	358.9	371.4	376.5	384.0	396.2	407.5	420.5	431.7	446.4	459.0	-3.5	10.9	11.1	336.2	372.7	414.0
13.	Imports	410.4	429.4	431.6	441.7	448.6	461.8	471.2	483.1	490.8	503.0	4.6	24.4	8.8	344.4	428.3	466.2
14.	Government Purchases of Goods and Services	704.4	746.1	763.6	780.8	803.3	820.5	838.7	857.0	881.0	899.6	5.4	9.2	10.8	685.6	748.7	829.9
15.	Federal	267.6	299.3	307.5	314.8	328.0	335.1	343.2	351.0	364.2	371.8	4.2	10.2	14.1	269.8	297.3	339.3
16.	National Defense	213.4	221.3	226.7	232.2	242.4	248.4	255.4	261.7	272.5	278.0	11.7	11.4	12.8	200.5	223.4	252.0
17.	Other, including NASA	54.2	78.0	80.8	82.6	85.6	86.7	87.8	89.3	91.7	93.8	-12.8	16.2	8.6	69.3	80.5	87.4
18.	State and Local	436.8	446.7	456.1	466.0	475.3	485.4	495.5	506.0	516.8	527.8	6.2	8.6	8.7	415.8	451.4	490.6
19.	Gross National Product	3553.3	3646.4	3725.3	3791.8	3878.7	3952.1	4028.8	4109.1	4196.1	4281.0	-	-	-	3304.8	3679.2	3992.2
20.	Amount of Change	121.6	93.1	78.9	66.5	86.9	73.4	76.7	80.3	87.0	84.9	-	-	-	235.5	374.4	313.0
21.	% Change*	14.9	10.9	8.9	7.3	9.5	7.8	8.0	8.2	8.7	8.3	-	-	-	7.7	11.3	8.5
22.	% Real Change*	10.1	7.5	5.2	2.4	3.8	2.9	3.0	2.9	2.2	2.6	-	-	-	3.7	7.2	3.6
23.	% Price Change*	4.4	3.2	3.5	4.8	5.5	4.8	4.9	5.2	6.4	5.6	-	-	-	3.8	3.8	4.7
24.	Implicit Price Deflator	220.58	222.31	224.24	226.89	229.93	232.61	235.41	238.42	242.14	245.48	-	-	-	215.34	223.51	234.09
25.	Change in Final Sales	60.5	113.0	83.4	67.3	92.3	70.0	77.9	78.1	95.3	89.7	-	-	-	222.9	290.2	328.1
26.	GNP in 1972 Dollars	1610.9	1640.2	1661.3	1671.2	1686.9	1699.0	1711.4	1723.5	1732.9	1743.9	-	-	-	1534.7	1645.9	1705.2

Table 2.

Georgia State University
College of Business Administration
Economic Forecasting Project
August 1984

U.S. Real Expenditures for 1984-I and 1984-II with Forecasts for 1984-III through 1986-II

	1984				1985				1986		Percent Change			Annual		
	I	II	III	IV	I	II	III	IV	I	II	82-83	83-84	84-85	1983	1984	1985
1. Personal Consumption	1044.1	1061.7	1073.4	1081.0	1090.5	1098.2	1105.5	1114.7	1122.7	1130.2	4.8	5.5	3.5	1009.2	1065.1	1102.2
2. Durable Goods	173.7	177.6	180.2	180.0	183.2	183.8	184.8	186.8	188.2	189.3	12.1	13.0	3.8	157.5	177.9	184.7
3. Nondurable Goods	387.1	396.0	400.4	403.7	406.0	408.9	411.2	414.2	416.8	419.0	3.7	5.4	3.4	376.4	396.8	410.1
4. Services	483.4	488.0	492.8	497.3	501.3	505.5	509.5	513.7	517.7	521.9	3.4	3.2	3.5	475.4	490.4	507.5
5. Gross Private Domestic Investment	285.5	286.2	291.4	292.4	294.1	297.0	297.9	298.8	295.4	296.6	13.7	30.7	2.8	221.0	288.9	297.0
6. Residential Structures	60.6	62.0	61.7	59.1	58.5	57.1	56.1	53.5	52.2	53.8	41.7	13.4	-7.6	53.7	60.9	56.3
7. Other Structures	54.1	57.7	60.5	63.1	65.5	67.2	68.5	69.4	70.1	70.5	-7.8	19.7	14.9	49.2	58.9	67.7
8. Producers' Durables	139.2	144.9	150.4	152.4	155.4	157.0	158.5	160.1	161.6	162.5	7.3	20.4	7.6	121.8	146.7	157.8
9. Change in Inventories	31.6	21.5	18.8	17.8	14.7	15.7	14.8	15.8	11.5	9.8	-	-	-	-3.6	22.4	15.3
10. Net Export of Goods and Services	-8.3	-10.0	-9.6	-11.0	-9.2	-10.0	-8.5	-8.7	-5.8	-5.4	-	-	-	12.6	-9.7	-9.1
11. Exports	144.9	148.8	150.3	152.2	155.0	157.3	160.1	161.9	165.0	167.0	-5.5	6.9	6.4	139.5	149.1	158.6
12. Imports	153.2	158.8	159.9	163.2	164.2	167.3	168.6	170.6	170.8	172.4	7.6	25.1	5.6	126.9	158.8	167.7
13. Government Purchases of Goods & Services	289.5	302.4	306.1	308.8	311.5	313.8	316.5	318.7	320.6	322.5	-0.3	3.4	4.4	291.9	301.7	315.1
14. Federal	112.2	123.7	126.1	127.8	129.5	130.9	132.6	133.9	135.1	136.2	-0.6	5.4	7.5	116.2	122.5	131.7
15. State & Local	177.3	178.7	180.0	181.0	182.0	182.9	183.9	184.8	185.5	186.3	0.0	2.0	2.3	175.7	179.3	183.4
16. Gross National Product	1610.9	1640.2	1661.3	1671.2	1686.9	1699.0	1711.4	1723.5	1732.9	1743.9	3.7	7.2	3.6	1534.7	1645.9	1705.2
17. Final Demand	1579.3	1618.7	1642.5	1653.4	1672.2	1683.3	1696.6	1707.7	1721.4	1734.1	3.2	5.5	4.1	1538.3	1623.5	1690.0
18. Private Domestic Product	1431.5	1459.8	1481.2	1490.4	1505.7	1516.8	1528.6	1540.0	1548.8	1558.8	4.2	8.2	3.9	1355.1	1465.7	1522.8

Table 3.

Georgia State University
College of Business Administration
Economic Forecasting Project
August 1984

Income Related U.S. GNP Components for 1984-I and 1984-II with Forecasts for 1984-III through 1986-II

	1984				1985				1986		Percent Change			Annual		
	I	II	III	IV	I	II	III	IV	I	II	82-83	83-84	84-85	1983	1984	1985
1. Compensation of Employees	2113.4	2157.9	2197.4	2230.1	2290.9	2334.2	2378.9	2421.1	2479.0	2526.2	6.5	9.6	8.4	1984.9	2174.7	2356.3
2. Wage and Salary	1755.7	1792.0	1822.4	1848.8	1893.4	1928.3	1964.1	1997.9	2041.5	2079.7	5.8	8.8	7.8	1659.2	1804.7	1945.9
3. Manufacturing	424.6	432.3	437.2	442.2	453.7	461.3	469.5	477.2	486.4	495.0	3.2	9.8	7.2	395.2	434.1	465.4
4. Other Commodity-Producing	131.3	134.9	139.3	139.0	142.3	144.4	146.8	148.1	150.7	153.7	-1.9	9.7	6.8	124.1	136.1	145.4
5. Distributive Industries	419.2	428.6	435.6	442.4	451.9	461.1	470.0	478.3	487.2	496.1	5.3	8.3	7.8	398.6	431.5	465.3
6. Service Industries	437.9	448.9	458.8	469.4	481.0	492.6	504.6	516.5	529.1	542.1	10.4	9.9	9.9	413.1	453.8	498.7
7. Military	46.5	46.7	46.7	46.9	49.6	49.8	49.9	50.2	53.2	53.4	6.6	7.1	6.9	43.6	46.7	49.9
8. Civilian Government	296.3	300.6	304.8	308.9	314.9	319.1	323.3	327.6	334.9	339.4	7.1	6.4	6.1	284.6	302.7	321.2
9. Supplements	357.4	365.7	375.0	381.3	397.5	405.9	414.8	423.2	437.5	446.5	10.4	13.4	10.9	326.2	369.9	410.4
10. Proprietors' Income	154.9	152.9	156.5	160.0	155.7	159.5	162.2	167.2	166.0	171.0	9.6	28.3	3.3	121.7	156.1	161.2
11. Business & Professional	122.5	126.8	130.9	133.2	134.3	136.3	137.5	139.9	141.8	145.1	20.9	19.0	6.7	107.9	128.4	137.0
12. Farm	32.5	26.1	25.6	26.8	21.4	23.2	24.7	27.3	24.2	25.9	-36.9	101.4	-12.9	13.8	27.8	24.2
13. Rental Income	61.0	62.4	64.4	66.5	68.6	70.7	72.9	75.1	77.4	79.7	13.2	9.1	12.9	58.3	63.6	71.8
14. Net Interest	266.8	280.6	291.4	300.6	310.8	320.6	329.1	337.4	346.3	354.3	-1.6	11.0	13.9	256.6	284.9	324.5
15. Corporate Profits Adj.	277.4	284.8e	291.2	296.2	302.5	305.7	310.5	318.0	321.4	323.9	41.5	27.6	7.6	225.2	287.4	309.2
16. National Income	2873.5	2938.6e	3000.9	3053.4	3128.5	3190.7	3253.6	3318.8	3390.1	3455.1	8.2	12.1	8.6	2646.7	2966.6	3222.9
17. Indirect Business Tax	295.5	300.1	304.2	309.0	316.1	320.4	325.8	332.0	339.0	345.2	8.3	7.3	7.1	280.4	302.2	323.6
18. Capital Consumption Adj.	-6.8	-12.5	-17.1	-19.8	-22.8	-25.2	-26.6	-27.7	-26.0	-23.2	-	-	-	9.9.	-14.1	-25.6
19. Capital Consumption Alw.	398.6	410.7	422.0	433.6	445.7	456.6	466.8	476.3	485.5	494.7	16.9	13.3	10.9	367.2	416.2	461.4
20. Business Transfers	16.7	17.1	17.6	18.0	18.5	18.9	19.4	19.9	20.5	21.0	10.6	11.5	10.3	15.6	17.4	19.2
21. Net Govt. Subsidies	-26.4	-8.6	-7.6	-8.1	-6.4	-7.4	-7.7	-8.0	-8.2	-8.5	-	-	-	15.6	-12.7	-7.4
22. Statistical Discrepancy	2.2	1.0e	5.3	5.7	-0.9	-1.9	-2.5	-2.2	-4.8	-3.0	-	-	-	-5.0	3.6	-1.9
23. Gross National Product	3553.3	3646.4	3725.3	3791.8	3878.7	3952.1	4028.8	4109.1	4196.1	4281.0	7.7	11.3	8.5	3304.8	3679.2	3992.2

e = Estimate

Table 4.

Georgia State University
College of Business Administration
Economic Forecasting Project
August 1984

Derivation of U.S. Personal Income for 1984-I and 1984-II with Forecasts for 1984-III through 1986-II

	1984				1985				1986		Percent Change			Annual		
	I	II	III	IV	I	II	III	IV	I	II	82-83	83-84	84-85	1983	1984	1985
1. National Income	2873.5	2938.6e	3000.9	3053.4	3128.5	3190.7	3253.6	3318.8	3390.1	3455.1	8.2	12.1	8.6	2646.7	2966.6	3222.9
2. Less: Corp. Profits Adj.	277.4	284.8e	291.2	296.2	302.5	305.7	310.5	318.0	321.4	323.9	41.5	27.6	7.6	225.2	287.4	309.2
3. Social Insurance	299.0	303.9	310.0	313.6	334.8	339.5	344.7	349.7	365.6	370.9	8.5	12.4	11.6	272.7	306.6	342.2
4. Plus: Government Transfers	394.6	398.8	402.8	407.0	413.9	418.1	422.9	427.7	441.2	445.5	7.5	3.0	5.0	389.2	400.8	420.7
5. Old Age, Survivors, etc	232.1	234.4	236.8	239.5	245.5	247.8	250.3	253.0	264.1	266.3	8.4	6.4	5.7	221.6	235.7	249.2
6. Unemployment Benefits	16.7	16.3	15.9	15.6	14.7	14.3	14.4	14.7	14.7	14.7	3.6	-38.3	-9.9	26.1	16.1	14.5
7. Veterans' Benefits	16.4	16.7	16.7	16.9	17.0	17.2	17.2	17.4	17.5	17.8	1.2	0.6	3.0	16.6	16.7	17.2
8. Employees' Retirement	62.4	63.2	64.7	65.5	66.6	67.5	69.1	69.8	71.3	72.2	8.4	7.6	6.7	59.5	64.0	68.3
9. A.F.D.C.	14.9	15.1	15.2	15.2	15.6	15.7	15.8	15.9	16.4	16.5	6.8	6.3	4.6	14.2	15.1	15.8
10. Other	52.1	53.1	53.5	54.3	54.5	55.6	56.1	56.9	57.2	58.0	7.6	4.1	4.7	51.2	53.3	55.8
11. Business Transfers	16.7	17.1	17.6	18.0	18.5	18.9	19.4	19.9	20.5	21.0	10.6	11.5	10.3	15.6	17.4	19.2
12. Interest Transfers	137.1	142.0	146.7	152.1	158.9	167.1	174.6	180.2	183.6	188.2	13.2	20.7	17.8	119.7	144.5	170.2
13. Personal Dividends	75.0	77.2	78.6	80.1	81.6	84.2	85.7	87.3	89.0	90.8	5.7	10.5	9.0	70.3	77.7	84.7
14. Equals: Personal Income	2920.5	2984.8	3045.4	3100.8	3164.1	3233.8	3301.0	3366.2	3437.4	3505.8	6.2	9.8	8.4	2744.2	3012.9	3266.3
15. Less: Personal Tax Payments	418.3	427.2	441.1	452.5	464.7	474.0	489.7	501.9	511.6	521.9	0.0	7.6	11.0	404.2	434.8	482.6
16. Equals: Disposable Personal Income	2502.2	2557.6	2604.3	2648.3	2699.4	2759.8	2811.3	2864.3	2925.8	2983.9	7.3	10.2	8.0	2340.1	2578.1	2783.7
17. Less: Consumption	2276.5	2326.7	2370.7	2413.6	2461.8	2507.1	2552.6	2605.9	2660.8	2715.3	8.6	8.9	7.9	2155.9	2346.9	2531.9
18. Less: Other Outlays	73.1	76.9	80.0	82.8	85.8	88.8	91.7	94.7	97.2	99.9	10.9	18.3	15.5	66.1	78.2	90.3
19. Equals: Personal Savings	152.5	154.0	153.6	151.9	151.8	163.9	167.0	163.7	167.8	168.7	-13.2	29.6	5.6	118.1	153.0	161.6
20. Savings Rate (%)	6.1	6.0	5.9	5.7	5.6	5.9	5.9	5.7	5.7	5.7	-	-	-	5.0	5.9	5.8

Table 5.

Georgia State University
College of Business Administration
Economic Forecasting Project
August 1984

U.S. Federal Government Activity for 1984-I and 1984-II with Forecasts for 1984-III through 1986-II

	1984				1985				1986		Percent Change			Annual		
	I	II	III	IV	I	II	III	IV	I	II	82-83	83-84	84-85	1983	1984	1985
1. Government Receipts	686.4	696.3e	712.6	728.3	761.0	772.2	791.0	806.2	830.1	844.0	3.9	10.1	10.9	641.1	705.9	782.6
2. Personal Tax & Non-Tax	301.6	307.6	318.7	327.6	336.6	342.7	355.3	364.2	370.5	377.3	-5.6	6.3	11.4	295.2	313.9	349.7
3. Corporate Profits Tax	73.0	72.1e	72.3	75.7	77.3	78.1	79.5	81.1	82.7	85.3	28.3	22.6	7.8	59.8	73.3	79.0
4. Indirect Business Tax	54.1	54.9	54.8	55.2	57.3	57.8	58.5	59.0	60.2	60.6	8.3	4.6	6.2	52.4	54.8	58.2
5. Contributions for Social Security	257.6	261.7	266.8	269.8	289.8	293.6	297.7	301.9	315.7	320.8	8.4	13.0	12.0	233.7	264.0	295.8
6. Government Expenditures	847.6	866.9	881.3	896.5	919.8	936.6	955.6	971.6	1000.5	1013.9	7.2	6.5	8.3	819.7	873.1	946.0
7. Purchases of Goods and Services	267.6	299.3	307.5	314.5	328.0	335.1	343.2	351.0	364.2	371.8	4.2	10.2	14.1	269.7	297.3	339.3
8. Defense	213.4	221.3	226.7	232.2	242.4	248.4	255.4	261.7	272.5	278.0	11.7	11.4	12.8	200.5	223.4	252.0
9. Durables	66.5	73.2	77.1	80.0	83.3	87.2	91.5	95.3	98.8	101.4	19.6	25.5	20.4	59.1	74.2	89.3
10. Nondurables	11.6	12.2	12.5	12.8	13.2	13.5	13.9	14.2	14.5	14.9	-6.8	-0.8	1.4	12.4	12.3	13.7
11. Military Compensation	46.5	46.7	46.7	46.9	49.6	49.8	49.9	50.2	53.2	53.4	6.6	7.1	6.9	43.6	46.7	49.9
12. Civilian Compensation	31.0	31.1	31.2	31.3	33.2	33.3	33.4	33.5	33.5	35.6	7.2	5.8	7.1	29.5	31.2	33.4
13. Other Services	53.4	53.4	54.5	56.3	58.0	59.6	61.4	63.2	65.0	67.1	15.3	6.0	11.4	51.3	54.4	60.6
14. Structures	4.4	4.7	4.7	4.9	5.1	5.0	5.3	5.3	5.5	5.6	18.0	2.2	10.6	4.6	4.7	5.2
15. Nondefense	54.2	78.0	80.8	82.6	85.6	86.7	87.8	89.3	91.7	93.8	-12.7	6.6	18.3	69.3	73.9	87.4
16. Durables	3.5	3.4	3.4	3.5	3.6	3.6	3.7	3.8	3.9	4.0	9.4	0.0	5.7	3.5	3.5	3.7
Nondurables																
17. CCC Inventory Change	-22.9	0.5	2.6	3.1	3.5	3.7	3.5	3.3	2.8	4.1	-	-	-	-5.9	-4.2	3.5
18. Other Nondurables	4.9	5.5	5.6	5.7	5.8	6.0	6.2	6.4	6.7	6.9	11.3	-5.3	13.0	5.7	5.4	6.1
19. Compensation	36.4	36.5	36.5	36.9	38.4	38.4	38.5	39.0	40.6	40.6	5.8	5.5	5.5	34.7	36.6	38.6
20. Other Services	26.0	24.6	25.4	26.3	27.0	27.8	28.4	29.2	29.9	30.6	8.9	4.1	9.8	24.6	25.6	28.1
21. Structures	6.3	7.5	7.3	7.1	7.3	7.2	7.5	7.6	7.8	7.6	-1.5	6.0	4.2	6.7	7.1	7.4
22. Transfer Payments	347.7	349.6	352.9	356.4	363.5	365.7	370.0	373.8	387.1	389.9	7.4	1.8	4.7	345.6	351.7	368.3
23. Grants-in-Aid to State and Local Governments	90.6	91.3	92.2	92.5	92.3	92.4	92.8	93.4	93.9	94.2	3.0	6.3	1.1	86.3	91.7	92.7
24. Net Interest Paid	107.6	110.3	113.0	116.6	121.5	127.8	133.7	137.3	138.8	141.2	11.7	18.7	16.3	94.3	111.9	130.1
25. Deficit of Government Enterprises	34.4	16.6	15.7	16.2	14.5	15.6	15.9	16.3	16.5	16.8	45.4	-11.5	-24.6	23.4	20.7	15.6
26. Federal Surplus	-161.2	-170.6e	-168.7	-168.2	-158.8	-164.4	-164.6	-165.6	-170.4	-169.9	-	-	-	-178.6	-167.2	-163.4
27. Federal Debt Held by Individuals (EOP)	1073.0	1100.2	1132.4	1170.2	1220.0	1245.9	1278.9	1313.9	1366.7	1393.1	20.5	14.4	12.3	1022.6	1170.2	1313.9
28. Total Government Surplus	-107.3	-118.7e	-117.4	-118.4	-109.1	-117.2	-118.1	-118.9	-123.7	-123.5	-	-	-	-134.5	-115.5	-115.8

Table 6.

Georgia State University
College of Business Administration
Economic Forecasting Project
August 1984

Selected Economic Variables of the U.S. Economy for 1984-I and 1984-II with Forecasts for 1984-III through 1986-II

	1984				1985				1986		Percent Change			Annual		
	I	II	III	IV	I	II	III	IV	I	II	82-83	83-84	84-85	1983	1984	1985
Private Economy																
1. Change in Private Hourly Wage Costs	4.6	3.2	4.2	4.3	7.2	6.1	6.4	5.5	7.3	6.2	-	-	-	5.3	4.1	5.6
2. Change in Output Per Worker Hour	4.2	2.1	2.3	0.8	0.4	0.9	1.2	1.0	0.3	0.6	-	-	-	2.7	2.2	1.0
3. Change in Implicit Unit Labor Costs	0.4	1.1	1.9	3.4	6.8	5.1	5.1	4.4	7.0	5.6	-	-	-	2.5	1.9	4.6
4. Change in Private Price Deflator	3.7	2.9	3.4	4.7	4.9	4.7	4.9	5.2	5.8	5.7	-	-	-	3.5	3.5	4.5
Prices																
5. Consumer Price Index	306.8	309.6	312.0	316.1	320.2	324.6	328.5	333.2	338.2	343.4	3.2	4.3	5.0	298.4	311.1	326.6
6. Industrial Commod. (PPI)	319.8	323.2	325.2	328.6	332.4	336.4	340.8	344.7	349.0	354.2	1.1	2.7	4.4	315.8	324.2	338.6
Corporate Economy																
7. After Tax Profit	150.6	148.4e	146.8	154.3	157.1	158.6	160.9	164.2	168.2	174.0	13.5	14.9	6.8	130.6	150.0	160.2
8. Inventory Profits	13.5	7.9	4.4	14.2	16.0	17.9	19.0	18.8	21.1	26.4	9.5	8.7	79.0	9.2	10.0	17.9
9. Genuine Profits	184.7	193.4e	199.7	200.3	204.6	206.9	210.0	215.4	216.7	215.8	44.1	27.8	7.6	152.2	194.5	209.2
10. Mean Closing - Dow Jones	1195.1	1156.4	1167.8	1134.1	1136.6	1131.4	1224.1	1290.4	1262.8	1334.3	34.5	-2.2	2.8	1189.8	1163.4	1195.6
11. Mean Closing - NY Composite	92.47	90.18	91.76	89.15	90.21	88.85	93.74	98.82	98.61	104.69	34.5	-2.0	2.2	92.74	90.89	92.91
Financial																
12. Monetary Base	205.6	210.5	214.1	218.3	222.6	226.9	231.0	235.2	238.9	243.1	9.5	8.5	7.9	195.5	212.1	228.9
13. Checkable Deposits	382.4	387.9	394.6	403.0	411.0	418.5	425.1	434.1	441.9	447.0	11.6	6.8	7.7	367.1	392.0	422.2
14. M1	532.7	540.8	550.2	561.2	572.1	582.4	591.8	604.0	615.2	623.6	11.0	7.3	7.6	509.1	546.2	587.6
15. Velocity of M1	6.581	6.650	6.681	6.665	6.688	6.692	6.712	6.706	6.722	6.763	-2.8	3.6	0.8	6.413	6.644	6.700
16. M2	2219.8	2258.2	2296.2	2344.1	2400.1	2456.9	2509.8	2570.9	2628.1	2679.2	12.6	7.7	9.0	2116.3	2279.6	2484.4
17. Velocity of M2	1.579	1.593	1.601	1.596	1.594	1.586	1.583	1.516	1.574	1.574	-4.2	3.2	-1.4	1.543	1.592	1.570
18. Federal Funds	9.69	10.56	11.26	11.32	11.76	12.42	11.75	10.66	10.02	9.66	-25.9	17.8	8.8	9.09	10.71	11.65
19. Prime Rate	11.07	12.31	13.00	13.00	13.54	14.27	13.83	12.73	11.83	11.50	-27.4	14.5	10.0	10.79	12.35	13.59
20. 6 Month T-Bills	9.26	10.22	10.51	10.47	10.76	11.13	10.48	10.09	9.73	9.26	-21.1	15.9	4.9	8.73	10.12	10.62
21. Seasoned AAA Corp.	12.28	13.21	13.04	13.39	13.53	13.75	13.22	13.01	12.78	12.39	-12.7	7.8	3.1	12.04	12.98	13.38
22. FHA Mortgage Rates	13.29	14.09	14.06	14.12	14.38	14.66	14.09	13.85	13.66	13.22	-19.0	3.4	522.6	13.43	13.89	14.25
Miscellaneous																
23. Housing Starts	1968	1907	1722	1714	1689	1629	1614	1495	1539	1586	60.3	7.3	-11.2	1703	1828	1607
24. Single Family Starts	1273	1138	1026	1042	1026	983	959	923	963	985	61.1	4.9	-13.1	1068	1120	973
25. Unit Auto Sales	10.6	10.6	10.8	10.6	10.9	10.8	10.8	10.9	11.0	11.0	15.0	16.3	1.9	9.2	10.7	10.9
26. Civilian Employment	103740	105146	106225	106859	107646	108360	108925	109432	109978	110586	1.3	4.6	2.9	100821	105493	108591
27. Unemployment Rate	7.9	7.5	7.3	7.0	6.8	6.6	6.6	6.7	6.6	6.6	-1.0	-19.9	-10.7	9.6	7.4	6.7
28. Industrial Production	159.6	163.2	166.0	166.7	168.5	169.6	170.7	171.8	171.9	172.4	6.5	11.0	3.8	147.6	163.9	170.2
29. Asset-Consumption Ratio	3.195	3.131	3.080	3.068	3.043	3.008	3.037	3.050	3.036	3.061	5.1	-1.0	-2.7	3.151	3.119	3.035

Table 7.

Georgia State University
College of Business Administration
Economic Forecasting Project
August 1984

U.S. Foreign Trade Accounts for 1982 and 1983 with Forecasts for 1984 and 1985

	1982	1983	1984	1985	Percent Change 82-83	83-84	84-85
Exports of U.S. Merchandise	212193	200486	215630	235650	-5.5	7.6	9.3
Food & Live Animals	23950	24166	22396	23110	0.9	-7.1	9.2
Beverages & Tobacco	3026	2813	2542	2553	-7.0	-9.6	0.4
Crude Materials	19248	18596	20437	22900	-3.4	9.9	12.1
Mineral Fuels	12729	9500	9476	9668	-25.4	-0.3	2.0
Animal & Vegetable Oils	1541	1459	1933	1918	-5.3	32.5	-0.8
Chemicals	19891	19751	22821	26440	-0.7	15.5	15.9
Manufactured Goods	16739	14852	15017	15735	-11.3	1.1	4.8
Machinery, Trans. Equipment	87128	82562	89530	98593	-5.2	8.4	10.1
Miscellaneous Manufacturing	15959	15243	15657	17110	-4.5	2.7	9.3
Commodities, n.e.c.	6866	6975	10311	11378	1.6	47.8	10.3
Re-exports	5117	4568	5520	6248	-10.7	20.8	13.2
Imports of Merchandise	243952	258044	320804	343235	5.8	24.3	7.0
Food & Live Animals	14453	15412	17644	18350	6.6	14.5	4.0
Beverages & Tobacco	3364	3408	3631	3855	1.3	6.5	6.2
Crude Materials	8589	9590	10908	12710	11.7	13.7	16.5
Mineral Fuels	65409	57952	62416	64206	-11.4	7.7	2.9
Animal & Vegetable Oils	406	495	636	643	21.9	28.5	1.1
Chemicals	9494	10779	13179	14698	13.5	22.3	11.5
Manufactured Goods	33148	34833	44768	47638	5.1	28.5	6.4
Machinery, Trans. Equip.	73320	86131	116405	125904	17.5	35.1	8.2
Misc. Manufacturing	28061	31702	41049	43615	13.0	29.5	6.3
Commodities, n.e.c.	7708	7742	10174	11618	0.4	31.4	14.2
Foreign Transactions							
Total Exports	348.4	336.2	372.7	414.0	3.7	10.9	11.1
Merchandise Exports	209.2	198.6	218.1	236.8	-5.1	9.8	8.6
Factor Income	86.5	84.1	99.9	118.5	-2.8	18.8	18.6
Other Services	52.7	53.5	54.7	58.7	1.5	2.2	7.3
Total Imports	329.4	344.4	428.3	466.1	4.6	24.4	8.8
Merchandise Imports	244.6	258.9	323.6	344.0	5.8	25.0	6.3
Factor Income	38.6	35.8	50.3	63.0	-7.3	40.5	25.2
Other Services	46.2	49.7	54.4	59.3	7.6	9.5	9.0
Transfer	7.5	8.0	7.1	8.0	6.7	-11.3	12.7
Government Interest	18.1	17.7	19.2	21.3	-2.2	8.5	10.9
Net Foreign Investment	-6.6	-33.9	-81.8	-81.5	-	-	-

Table 8.

Georgia State University
College of Business Administration
Economic Forecasting Project
August 1984

Implicit Price Deflators for Personal Consumption Expenditures for 1984-I and 1984-II with Forecasts for 1984-III through 1986-II

	1984				1985				1986		Percent Change			Annual		
	I	II	III	IV	I	II	III	IV	I	II	82-83	83-84	84-85	1983	1984	1985
Durable Goods	179.0	179.4	180.0	180.9	182.0	183.0	184.5	186.5	188.2	190.2	1.8	1.2	2.3	177.7	179.8	184.0
% Change	-0.5	0.8	1.4	2.1	2.5	2.2	3.3	4.3	3.7	4.3						
Automobiles	196.3	196.6	197.4	199.8	200.9	201.8	203.7	206.4	208.2	210.6	1.8	1.8	2.9	194.1	197.5	203.2
% Change	0.0	0.6	1.6	5.0	2.3	1.9	3.7	5.5	3.5	4.6						
Furniture	157.6	157.8	158.2	158.6	159.3	160.2	161.0	161.9	163.0	164.1	0.9	0.0	1.6	158.1	158.1	160.6
% Change	-2.3	0.5	0.9	1.1	1.6	2.2	2.0	2.3	2.6	2.8						
Other Durables	188.0	188.5	188.4	188.7	189.9	191.4	193.8	196.5	199.6	202.6	2.6	1.4	2.4	185.8	188.4	192.9
% Change	1.7	1.1	-0.3	0.7	2.5	3.1	5.2	5.6	6.5	6.3						
Nondurables	217.4	216.6	217.1	219.0	221.0	223.0	225.0	227.3	230.2	232.9	2.1	2.1	3.0	213.0	217.5	224.1
% Change	4.9	-1.4	0.9	3.5	3.8	3.7	3.6	4.1	5.1	4.8						
Food	228.8	228.4	230.2	232.9	235.3	238.0	240.5	243.3	246.7	250.0	2.4	4.4	4.0	220.5	230.1	239.3
% Change	12.0	-0.7	3.2	4.7	4.3	4.6	4.3	4.8	5.6	5.5						
Apparel	144.4	144.1	143.7	144.2	145.0	145.6	146.8	148.1	149.6	151.3	1.8	0.3	1.6	143.6	144.1	146.4
% Change	-2.5	-0.8	-1.2	1.4	2.3	1.8	3.1	3.5	4.3	4.4						
Gasoline & Oil	340.6	342.9	337.5	339.6	343.1	345.7	347.3	348.9	351.2	354.0	-3.3	-1.4	1.8	344.9	340.2	346.3
% Change	-9.3	2.7	-6.6	2.5	4.2	3.1	1.8	1.9	2.6	3.2						
Fuel Oil	550.0	551.9	548.1	553.4	562.1	569.3	570.5	575.8	586.4	594.1	-6.9	3.7	3.4	531.2	550.9	569.4
% Change	14.5	1.4	-2.8	3.9	6.5	5.2	0.9	3.8	7.6	5.3						
Other Nondurables	217.5	218.3	219.7	221.5	223.6	226.0	228.5	231.2	234.4	237.7	6.8	2.7	3.6	213.6	219.3	227.3
% Change	2.8	1.5	2.6	3.3	3.8	4.3	4.5	4.9	5.6	5.7						
Services	232.6	235.7	238.8	242.1	245.5	249.0	252.5	256.2	260.2	264.3	5.8	5.0	5.7	226.0	237.3	250.8
% Change	5.0	5.5	5.4	5.6	5.8	5.9	5.7	6.0	6.5	6.5						
Housing	218.4	221.9	225.0	228.2	231.5	235.0	238.5	242.1	246.0	249.8	6.4	5.3	6.0	212.1	223.4	236.8
% Change	4.5	6.6	5.8	5.8	5.9	6.1	6.2	6.2	6.5	6.5						
Electricity & Gas	333.0	336.8	340.9	346.1	349.9	354.8	359.4	364.9	370.1	376.3	6.7	4.0	5.3	326.2	339.2	357.3
% Change	1.7	4.6	4.9	6.2	4.5	5.7	5.3	6.3	5.8	6.9						
Household Operations	194.4	196.0	198.1	199.9	203.5	205.7	207.9	210.1	213.0	215.7	5.6	6.4	4.9	185.2	197.1	206.8
% Change	16.5	3.3	4.4	3.6	7.5	4.3	4.5	4.3	5.6	5.2						
Transportation	234.6	237.8	241.3	244.7	248.4	251.6	255.0	258.9	262.9	267.0	5.9	4.7	5.8	228.9	239.6	253.5
% Change	4.4	5.6	6.0	5.7	6.3	5.3	5.5	6.2	6.4	6.3						
Other Services	239.3	242.2	245.3	248.5	252.0	255.6	259.3	263.2	267.3	271.5	5.1	4.8	5.6	232.7	243.8	257.5
% Change	5.2	4.9	5.2	5.4	5.6	5.8	6.0	6.2	6.3	6.5						
Personal Consumption Expenditures	218.0	219.2	220.9	223.3	225.7	228.3	230.9	233.8	237.0	240.2	3.7	3.2	4.2	213.6	220.4	229.7
% Change	3.8	2.1	3.1	4.4	4.5	4.7	4.6	5.1	5.6	5.6						
Consumer Price Index	306.8	309.6	312.0	316.1	320.0	324.6	328.5	333.2	338.2	343.4	3.2	4.3	5.0	298.4	311.1	326.6
% Change	5.0	3.7	3.2	5.4	5.3	5.6	4.9	5.8	6.2	6.3						

Table 9.

Georgia State University
College of Business Administration
Economic Forecasting Project
August 1984

Implicit Price Deflators with Annual Percentage Changes for 1984-I and 1984-II with Forecasts for 1984-III through 1986-II

	1984				1985				1986		Percent Change			Annual		
	I	II	III	IV	I	II	III	IV	I	II	82-83	83-84	84-85	1983	1984	1985
GNP Deflator	220.58	222.31	224.24	226.89	229.93	232.61	235.41	238.42	242.14	245.48	3.8	3.8	4.7	215.34	223.51	234.09
% Change	4.4	3.2	3.5	4.8	5.5	4.8	4.9	5.2	6.4	5.6						
Personal Cons. Exp.	218.0	219.2	220.9	223.3	225.7	228.3	230.9	233.8	237.0	240.2	3.7	3.2	4.2	213.6	220.4	229.7
% Change	3.8	2.1	3.1	4.4	4.5	4.7	4.6	5.1	5.6	5.6						
Private Domestic Investment	218.5	220.6	221.7	224.0	226.5	228.6	231.0	233.5	236.5	239.4	-0.1	3.7	3.9	213.4	221.2	229.9
% Change	3.9	3.9	2.1	4.3	4.5	3.7	4.3	4.3	5.3	5.0						
Structures	262.6	263.5	264.0	265.5	268.1	271.1	274.5	278.3	282.6	286.9	-1.1	0.1	3.4	263.7	263.9	273.0
% Change	-4.9	1.4	0.8	2.3	3.9	4.5	5.1	5.7	6.3	6.2						
Producers' Durables	184.4	185.7	186.4	188.6	190.3	191.4	193.3	196.0	198.0	200.5	0.6	1.6	3.5	183.3	186.3	192.8
% Change	-3.0	2.8	1.6	4.9	3.7	2.4	3.9	5.6	4.2	5.1						
Residential Structures	249.4	252.6	254.1	256.7	259.2	262.0	264.7	267.6	270.8	274.4	2.1	2.8	4.0	246.4	253.2	263.4
% Change	1.9	5.1	2.4	4.2	3.9	4.4	4.1	4.4	5.0	5.4						
Exports	247.7	249.6	250.5	252.3	255.6	259.0	262.7	266.6	270.5	274.8	2.1	3.7	4.4	241.0	250.0	261.0
% Change	3.7	3.2	1.4	2.9	5.3	5.4	5.8	6.1	6.0	6.4						
Imports	267.9	270.3	270.0	270.7	273.2	276.1	279.5	283.2	287.3	291.7	-2.8	-0.7	3.1	271.5	269.7	278.0
%Change	-3.5	3.7	-0.5	1.1	3.7	4.3	5.0	5.4	5.9	6.3						
Federal	238.5	241.9	243.8	246.3	253.3	256.0	258.8	262.1	269.7	273.0	4.8	4.5	6.2	232.1	242.6	257.6
% Change	5.0	5.9	3.1	4.2	11.8	4.4	4.5	5.2	12.1	4.9						
Federal Purchases	254.5	257.7	260.1	263.5	267.2	271.1	275.4	279.7	284.2	289.0	5.2	3.8	5.6	249.5	259.0	273.4
% Change	-2.0	5.1	3.7	5.3	5.7	6.0	6.5	6.4	6.6	7.0						
Federal Value Added	219.6	220.3	220.4	221.3	232.7	233.0	233.3	234.7	246.8	247.1	4.8	5.0	5.9	209.9	220.4	233.4
% Change	15.6	1.3	0.2	1.7	22.2	0.5	0.5	2.5	22.2	0.4						
State & Local	246.4	250.0	253.4	257.4	261.1	265.4	269.4	273.9	278.6	283.3	6.2	6.4	6.2	236.7	251.8	267.5
% Change	7.8	6.0	5.5	6.5	5.9	6.7	6.2	6.8	7.0	6.9						
State & Local Purchases	256.2	258.8	260.9	263.9	267.3	271.2	274.9	279.0	283.5	288.2	3.4	4.4	5.0	249.1	260.0	273.1
% Change	5.7	4.1	3.3	4.7	5.3	5.9	5.7	6.1	6.6	6.8						
State & Local Value Added	239.6	243.9	248.1	252.8	256.9	261.3	265.5	270.2	274.8	279.5	8.2	7.7	7.1	228.5	246.1	263.5
% Change	8.8	7.4	7.0	7.7	6.6	7.0	6.5	7.3	7.0	7.1						

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